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## WEST EUROPE REPORT

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## WEINSTEIN CONSIDERS DETERRENCE STRATEGY OUTDATED

DW211629 Frankfurt/Main FRANKFURTER ALLGEMEINE in German 19 Apr 80 p 12 DW

[Article by Adelbert Weinstein: "NATO--A 'Good Weather Alliance'?" ]

[Text] The political scenario has something surrealistic. The U.S. President quarrels with his allies. Carter finds it intolerable that the Atlantic nations hesitate to show an as firm and as energetic attitude toward Iran as the United States. He therefore set a date for closer cooperation of the NATO countries with the leading power of the alliance. It boils down to an ultimatum.

True, both sides deny that the White House has made final demands. But what in quiet times is only mere theory turns out to be the hard truth in times of crisis: partnerships require a balance of power. America's European allies are Washington's partners only nominally. Actually they are dependent friends and neither able nor willing to share the burdens the great one tries to saddle them with. The U.S. Government which is used to considering the U.S. interest as the general interest of NATO will have to come to grips with the reality that there are solid national interests that are opposed to the American wish for unified reactions by NATO.

The question of whether such a realization does not prove that NATO is just a "good weather alliance" is posed wrongly. This alliance has lived from one crisis to the next for 30 years now and continues to exist. But there is a natural limit to its cooperation. This limit becomes clearly evident in dangerous situations. What has preserved NATO's viability in the past was the readiness for compromise and the continual struggle by the governments for the existence of the alliance. For decades the politicians and military were supported to this effect by the Soviet Union. The strategy of the Kremlin oriented at expansion has saved NATO from decline. But it was not fear alone which enabled the alliance to overcome tensions and crises. NATO had the support of a powerful America. If now we are in a particularly dangerous crisis then this is not lastly due to the fact that this America has become weaker.

NATO does not suffer from lack of solidarity by the smaller "partners" with the great ally. The small countries have never shown solidarity. They have always been egoistic. The disease of the alliance lies in the leadership weakness of the U.S. Government. Now the Americans are fed up with hearing people talk about it. But they must be told. Or else they will risk seeing turn into reality what at present can still be termed a trend: the inclination of the Western Europeans to let the 30 years of "Americanization" be followed by a generation of "Finlandization" or "neutralization."

Therefore, one of the first measures the leading power should introduce in the alliance would be a revision of the strategic concept. What is termed "flexible response," a military policy of graduated military response to a Soviet aggression, is outdated. Actually this strategy has never been very credible. It violates, for instance, the basis of every military planning that one must never take into account forces that are not available. But the lowest stage of the strategy of "flexible response," which is oriented at deterrence, the threat of the use of classical troops, from the start has always been a bluff.

This insincerity in the assessment of conventional divisions and squadrons, aimed at political deterrence, may soon push us into the second critical situation of U.S.-European relations. Then, however, the strategic situation would be just the contrary: Today the Americans want our support in their struggle for the hostages. Tomorrow already the Europeans, above all the Germans, could ask the United States to deploy the additional divisions promised on the old continent, because they believe this is the only possibility to meet a classical military pressure by the Soviets.

But we would have to wait long for these U.S. reinforcements to arrive. No president can dispatch such reinforcements overseas which are envisaged within the scope of the "flexible response" without having to struggle with the Congress. In addition, the Pentagon could make available neither the troops nor the necessary transport facilities. No matter what Robert Komer, the U.S. deputy defense secretary, says, the U.S. Army does not have the armed forces for the strategy of "one-and-a-half wars." There is not enough military personnel, because there is no compulsory military service in the United States. There are not enough weapons, means and equipment.

On the other hand, the planning of "flexible response" is a dogma, but not a strategy. As Clausewitz teaches us, strategies do not proceed according to a fixed scheme. Plannings where forces such as enemy intentions, psychological elements, industrial power, a political situation, the use of nuclear arms as a military instrument are to be placed in a well arranged system of coordinates of one's own and the enemy's reactions are worthless in practice.

At the second stage of the "flexible response" the transition to tactical nuclear weapons is to stabilize the situation if the clash of the conventional units turns out negatively for us. This is mere theory, because the Soviet divisions organically are equipped with tactical nuclear arms systems. Nobody can predict when and how the Red Army will use these weapons. It will probably use them at the beginning of a conflict on the battlefield. The West, however, believes the Soviets will leave the decision on when the war will have to enter the next stage to the West. It even affords the strategic luxury to make this development dependent on the will of the incumbent U.S. president.

At the third stage the strategic war is to be triggered, if the threat of regional destruction in the first two phases is not respected by the possible enemy. Here, too, objections must be made. On the one hand, the Europeans have no influence at all on this phase. On the other hand, the balance of forces between the nuclear giants has shifted. The Soviet Union has pulled up to the United States. The U.S. lead has totally dwindled. The point now no longer is the thesis of a macabre escalation. The strategic question now is: Who has the courage of the first strike? Because only he who strikes first has a chance to survive.

The technical development has considerably contributed to this strategic reality. The introduction of new weapons able to accurately hit their targets with the first shot has made entire arms families useless. In addition, the medium and long-range missile systems have passed through a revolution. With them selective targets can be hit. It means the target is not the population but barracks, artillery positions, airfields, and a military area accurately delineated in advance is destroyed. It not only means that the tanks in their barns can be destroyed. It also means that the whole of the Atlantic air force in Europe is threatened. A possible enemy is able to hit all runways and supply centers of our air force before the aircraft are in the air. If they are in the air they no longer have any landing fields.

This interpretation of a future war is no vision, it would become reality. Naturally the other side also suffers from such a dilemma. But on the other side the decision-making process can proceed more quickly than with us. On the other side of the Iran curtain plannings can also be offensive. This strategic situation means to NATO that the "flexible response" no longer is a deterrence.

But the responsible bodies show great inertia. In all NATO countries planning is continued according to the old pattern, with the efforts of industry, army, air force, navy and the governments not even being coordinated. This lack of national cooperation corresponds to the lack of supranational coordination. In this context the staffing in the high NATO staffs has an especially negative effect for the German partner. The Federal Republic could have had the position of the Military

Committee (MC) chairman. Of course the tenure of the two generals who could have been eligible for this post would have had to be prolonged. For considerations of principle the defense minister did not defer their pensioning off, although the allies especially proposed the German generals. Nor are we represented at the top of the IMS, the International Military Staff of NATO. Therefore we can influence the military policy of the alliance only at NATO conferences and through our cooperation in the committees. But this is not enough to give the German ideas weight.

CSO: 3103

## TECHNICAL PROGRESS IN DEFENSIVE WEAPONS VIEWED

Paris DEFENSE NATIONALE in French Mar 80 pp 144-148

[Article by Gerard Vaillant: "Technical Progress and Defensive Weapons Design for the Year 2000"]

[Text] It takes five to ten years to design and develop a weapons system, and the average lifetime of such a system is at least 20 years, which means that the weapons which will be included in the defense program law scheduled to succeed the current law in 1983, will be the weapons of the year 2000.

The possible weapons systems among which the government will have to choose, are currently the subject of research and studies in various specialized directorates of the General Delegation for Weapons (DGA), and within the ministry, in the Center for Forecasts and Evaluations (CPE). We should point out at the outset that this article does not in any way represent any imminent commitment of the Defense Ministry, even if it makes use of ideas which could have been inspired by conversations with some of its representatives.

Defense considerations in the year 2000 immediately raise a wealth of questions which it would be presumptuous to answer peremptorily. For instance, what will the European structure be like, 20 years from now? Will a new Russian orientation renew a dialogue with the United States? And China? How will the two German states have progressed? What new nuclear powers will reveal themselves? Will this world not be more dangerous as a result of this proliferation of atomic weapons? Will it not change the conventional view held of deterrence? If for instance, one or another of these new nuclear powers does use a nuclear weapon, will it heighten fearfulness and consolidate deterrence, or will it on the contrary familiarize the world with the dangerous idea that nuclear weapons are after all just like any other weapons?

Many questions can also be raised about the growth model. For instance: What part of the national resources should be devoted to defense, considering the increase in the cost of oil? What form would society take,



and what degree of consensus will it have regarding defense? We could even, and we must, question such various areas as urbanism and land use, with their consequences on the nature of military operations.

#### The Future of Deterrence

Whatever the answers to these questions, none of them suggest that France should abandon its strategy of nuclear deterrence between now and the year 2000. On the contrary, all indications are that it made the right choice when it acquired nuclear weapons, the only choice which can enable it to retain a satisfactory margin of freedom in a world which is clearly becoming increasingly interdependent, but also increasingly dominated by balances of power, and increasingly dangerous.

For our part at least, there is no doubt that the deterrent doctrine based on the threat of urban retaliation, stronger than the stakes which we represent, must remain at the core of our strategy, but that it can be modified as new possibilities are created by current technologic progress. Given the accuracy expected of future vehicles, it is therefore not impossible to foresee the possibility of selecting new objectives, defined by command and political power centers, for instance. The threat of anti-population nuclear strikes might then be preceded and complemented by the threat of disorganization of the enemy's political structure.

Nor is it inconceivable that new nuclear weapons with special effects may arise to reinforce the possibilities of tactical nuclear weapons in attacking certain objectives, it being well understood that France will never accept the gambit of a prolonged tactical nuclear battle with a superpower where the law of numbers would inexorably be against France.

All that can be asserted is that the present deterrent strategy will be maintained and even strengthened by the new technologic possibilities in the offing. That is all we will say concerning the future of our nuclear weapons. In coming years, and certainly before 1982, the government will in any case have to choose a new strategic nuclear component -- mobile ground-to-ground ballistic missile, or cruise missile, and in the latter case, its launching method : from a ground air platform -- as well as for a tactical nuclear weapons system to succeed Pluto (1).

#### Decisive Technical Progress for Weapons Systems

Let us now briefly review the predictable repercussions of technical development on non-nuclear weapons of the year 2000, as they appear to some of our military engineers whose function is precisely to examine and evaluate the weapons systems whose development looks possible, and to project the resulting forms of air-to-ground, air, and naval battles. Three technical areas presently play a decisive role in this respect: data processing, optics, and materials.

Data processing has, and in years to come will undergo considerable development. In compact formats, today's computers perform increasingly powerful, reliable, and rapid calculations. Their memories are capable of increasingly large storage. These advances, together with those of telecommunications, have created a new field, remote data-processing, which has already produced such data transmission systems as STRIDA, whose adoption supports the operation of aerial defense, or the navy's SENIT system. New advances are expected to transform information gathering and utilization, as well as command operations to which they will make new contributions.

Revolutionary advances are also taking place in optics: they involve light amplification and night vision, optical fibers, and lasers. The lighting of battlefields by active infrared procedures was already known, but such progress has been made in the passive infrared domain, that the trace of a plane on the ground can be detected five minutes before and one quarter of an hour after its take-off, or the head of a commander can be seen outside his tank tower several kilometers away (2).

Optical fibers open possibilities that have already been exploited in transmission. Beams carrying messages to be transmitted can be coded and are insensitive to scrambling (3).

Lasers have not yet disclosed all their wonders. They already offer possibilities for telemetry, aiming, and weapons guidance. But prospects for defense can also be glimpsed: dazzling of vision systems, as well as deterioration and neutralization of enemy missiles.

And finally, composite materials (carbon, iron, and glass fibers), light, resistant, and insensitive to magnetism, and to some extent to radar, indicate interesting developments in aeronautics, naval construction, and tank armor.

#### Possible Evolution of Forms of Combat

As a consequence of this technologic progress, battlefield surveillance and the combat which it will engender will intensify. There already exist air radars such as Orphee, or flying observation systems such as drones, but the new developments will be determined by the fact that the gathered information will be processed right aboard these machines, which will transmit their images in real time; it will then be possible to immediately utilize this information by means of appropriate transmission systems on the ground.

The tank will undoubtedly remain the current ground combat vehicle. It will evolve toward greater mobility, better protection, and higher fire power, but its environment will face it with serious problems: increasingly improved obstacles, such as mines emplaced rapidly, remotely, and operated by remote control; explosive clouds; the use of products which inhibit the

operation of engines; and anti-tank missiles of much higher performance. But the tank will also be better armed against its enemies, and in particular against infantrymen, thanks to radars which will detect them even before they have had a chance to fire.

The armed helicopter will increasingly be the first line weapons system for air-to-ground combat. It will remain relatively invulnerable, generally avoiding radars, and firing self-guided missiles which the Anglo-Saxons call fire and forget, and which will enable it to pull away once the missile is fired. Its general use as a major combat vehicle will however be limited by its price; and its fragility will also prevent it from participating in protracted battles.

The profile of air support for ground combat will be significantly transformed by the use of guided missiles launched from great distances. The planes which will launch these missiles will remain subsonic, but they will carry many electronic warfare devices and will be accompanied by drones designed to destroy enemy radars.

On the ground, anti-aircraft defense by ground-to-air missiles of the Crotale and Roland types will become generalized, but defense against low altitude aircraft by means of short range ground-to-air missiles will continue to remain a difficult problem, which we will consider again in the next section on air combat.

The latter will be affected by three technologic advances: the use of electrical flight control known as CAC (generalized automatic control) (4), the greater range of interception radars, and the development of air-to-air missiles which can be fired at differences in altitude. Such weapons already exist (Supermagic 930), but future progress will reside in the fact that this time the firing will involve negative differences as well as positive ones. This will make it possible to perceive a solution to the problem of combat against low altitude planes, whose presence will be detected at large distances by the radars of electronic war planes, such as those which the Americans call AWACS (Airborne Warning and Control System).

Two major difficulties will nevertheless complicate the problem of air defense: it will no longer be a matter of fighting against the planes themselves, but against the missiles which they will launch from great distances; the other most difficult problem will be the identification of these planes and missiles. The complex situation in the air under fleeting conditions, and the need for immediate response, will no longer be amenable to the oldIFF systems of Interrogation and response which were valid at the end of the last world war, but will require automatic systems which are currently being studied, such as the SINTAC system.

At sea then, the sea was a battlefield on which the typical combat resulted from the fortuitous or intended encounter of two fleets, and where chance often intervened to a large extent. In the future, the threat will be quasi-permanent and will come from three quarters, singly or combined: at the

surface, with the widespread use of surface-to-surface missiles; in the air, with the use of missiles fired from a distance by airplanes or helicopters; and underwater, with the launching of dual-media missiles of the SUBROC type. The winning side will be the one to first detect the threat and capable of countering it with weapons stronger than those of the adversary. Today, the range of surface-to-surface missiles of the Exocet kind is about 60 km, which corresponds to approximately the radar horizon. Tomorrow, this range will be 100 to 150 km. It will then become necessary to see beyond the horizon. All large vessels will therefore have their own air resources in the form of helicopters. This combination of ships and helicopters will create a problem for torpedo-boats, which will be too small to achieve it.

The range of underwater detection with sonar, which at the beginning of the 1970's was of the order of 2 to 16 km (5), could reach 10 to 60 km by the year 2000. It will however remain much below the range of weapons carried by attack nuclear submarines. Detection of the latter will depend on the coordinated action of ships, helicopters, and planes of the Breguet Atlantic type. But we might also see the development of fixed detection systems such as those deployed by the Americans on their coastlines and in the Azores (SOSMA system).

Great progress is foreseen in mine warfare: "intelligent" mines to selectively attack specific types of vessels, and discreetly planted mines which can be activated on command.

#### Conclusions

With this rapid review of technologic progress and of the possibilities it offers for development in the weapons field, we had no other intention than to provide our readers with an idea of the complex task of those -- military engineers and general staff officers -- charged with the long-range forecast of our military defense. The duty of these engineers is to explore all the possibilities of technology, and that of the decision makers is to remain informed and open their minds to the intelligence of this technology, as well as to know when to resist the temptation that it can exercise upon them. All that is feasible is not indispensable nor useful to military defense, just as it is not useful to copy all that is done by others more powerful than us, but whose strategic problems are different from ours.

The responsibility of those who design the defense of the year 2000 is to select among these possibilities, and to retain only those which have a future, that is, to authorize the development of weapons that are useful and effective, in sufficient amounts, and at reasonable prices.

#### FOOTNOTES

- (1) These are the questions which according to the daily press were studied during the workshop conducted at the Elysee on 7 February. A future meeting of the Defense Council should make it possible to make a choice among the available possibilities, considering their financial, industrial, and operational implications.
- (2) On the possibilities of infrared for night vision on the battlefield, see Georges-Michel Dubroeuq: "Modern Techniques for Night Vision," REVUE DEFENSE NATIONALE, October 1975; Alain Piodi: "Passive Infrared, A New Trump Card in Electronic Warfare," REVUE DEFENSE NATIONALE, October 1979.
- (3) On the possibilities of optical fibers, see R. Gaudry: "Optical Fibers, Telecommunications Forecast for the Year 2000," REVUE DEFENSE NATIONALE, December 1973; Jean-Pierre Jarry: "Optics and Information Processing," REVUE DEFENSE NATIONALE, April 1976; Jean-Paul Christy and Jean-Michel Deaustin: "Optical Waves, Information Carriers for the 1980's," REVUE DEFENSE NATIONALE, March 1979.
- (4) On the use of the CAG see J.-C. Wanner: "A New Way to Design Planes, CAG or CAG Techniques," REVUE DEFENSE NATIONALE, May 1977.
- (5) This description of sonar range is very rough because we must take into consideration the laws of sound propagation in sea water, which depend on many parameters: depth, salinity, temperature, and so on. On this topic, see Claude Berger: "On the Problem of Submarine Defense, Sonar or Sofar," REVUE DEFENSE NATIONALE, June 1974.

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## PROFILES OF FRENCH, FRG INDUSTRIAL PERFORMANCE, STRATEGIES

Paris POLITIQUE INTERNATIONALE in French No 10 Winter 79/80 pp 119-146

[Article by Guy de Carmoy\*: "French industry and German industry--performance and strategies"]

[Excerpts] Franco-German relations are an important factor in international politics and a decisive factor in European politics. Like all bilateral relations, they are composed of cooperation and competition. In the industrial domain, cooperation is manifested by the observance of common rules such as the application of the customs union and by the execution of a few common projects such as joint production in aeronautical material.

Industrial competition, however, results from the very nature of an open economy. Industry, a principal source of revenue for the population, is a factor in the power of the state. It has become an instrument of diplomacy. As it is such an instrument, a comparison of French industry and German industry illustrates the evolution of the relationships of forces and economic and political potentials of the two countries.

To analyze this evolution, we intend to illustrate the principal characteristics of the national productive establishments and to grade their performances in international trade. Then we will examine the behavior of a few industrial sectors since the beginning of the 1960's. This collection of data will clarify the comparison of industrial strategies before and during the present crisis. Those strategies will be examined in an overall context, in other words by bringing in the monetary and social phenomena. First we shall briefly sum up the historical context of industrial competition between the two countries.

#### Productive Facilities

German industry is proportionately more important than French industry. It employs more personnel even though their number has slightly decreased since 1960. In 1973 it was 9.4 million. The number of French personnel has increased slightly. They amount to 6.4 million. Thus the industrial labor forces of the two countries in 1973 represented a three to two ratio.

\*Honorary Inspector of Finances; Professor in the European Institute of Business Administration. Author, among other publications, of: Fortune of Europe, Donat, 1953; The Foreign Policies of France 1944-66, La Table Ronde, 1967; Energy for Europe, American Enterprise Institute (Washington), 1977.



The share of the active population employed in German industry is 48 percent--the highest percentage in Europe. In France it was only 39 percent in 1973. Germany is thus a country with a higher industrial density. As a consequence, the share of industry in added value is higher in Germany than in France: 56 percent compared to 52 percent<sup>4</sup>.

After the aspect of quantity, let us consider certain aspects of quality. Labor productivity is a little higher in France than in Germany. Germany, however, has an advantage over France as far as the apparent productivity of fixed capital is concerned. This means the ratio of added value to the gross fixed capital. For all industries, that ratio in 1974 was .531 in Germany and .438 in France. That indicates that Germany has reached a level of labor productivity fairly close to France's with a clearly lower per capita level of fixed capital. The explanation for this is to be sought in the utilization of more productive techniques and a better organization of labor. The net profit after taxes varied between 10 and 12 percent in France and between 12 and 18 percent in Germany between 1960 and 1974. Thus the preponderant place of industry in Germany is also shown by its share in profits<sup>5</sup>.

With closely similar rates of labor productivity, Germany therefore gains the higher place through its labor force and the profitability of its capital.

What is the share by sector of the labor force and of the added value in the two countries?

The sector of the agricultural and food industries has practically the same weight in added value--6.7 percent--and the same number of workers--about 1 million--in both countries, without any remarkable variation between 1960 and 1974. The energy sector in France has shown a diminution in its labor force with the decline of coal and a slight growth in its share of the added value, but in both countries its weight is still minimal: 7.25 percent of the added value in France and 5.94 percent in Germany in 1974.

The two large and dynamic sectors are that of the intermediate industries (steel, non-ferrous metals, chemistry) and of investment goods. The German labor force has been stable in the intermediate industries (2.4 and 2.3 million) while the French labor force has increased slightly (from 1.2 to 1.5 million) in the period under consideration. However, their share of the added value has increased, again more in Germany (from 13.43 to 15.22 percent) than in France (from 10.94 percent to 11.96 percent).

The investment goods sector includes both agricultural and industrial machines and transport matériel (automotive and aeronautical construction). In 1960 and in 1974 it employed respectively 1.7 million and 2.4 million persons in France, the corresponding figures for Germany being 3.7 and 4.5 million. Their share in the added value rose from 11.27 to 15.13 percent in France and from 16.12 to 19.86 percent in Germany. Thus France's industrialization effort has been essentially directed toward investment goods, but the importance of that sector is almost twice as great in Germany as it is in France.

It was inevitable that as a result of the expansion of intermediate goods and goods for industrial equipment the consumption goods sector has retreated somewhat in the industrial picture of the two countries. Numbers of personnel have declined in the FRG from 2.6 to 2.1 million and in France from 1.7 to 1.5 million, added value has declined from 9.15 percent to 8.33 percent in the FRG and from 8.14 percent to 7.53 percent in France<sup>6</sup>.

To sum up: The French industrial profile during the period under consideration has tended to approximate the German industrial profile.

### Foreign Trade

However, the two industries do not have the same fate in foreign markets. Expansionist by tradition and by necessity (after the loss of the agricultural lands of the eastern provinces), the industry of the Federal Republic has systematically been oriented toward exports. Protectionist by tradition and also by its good position in a rapidly developing domestic market, French industry has not found itself constrained to export a large proportion of its production, at least during the 1950's. That constraint has been accentuated according to the rate at which exchanges have been freed by GATT and by the EEC.

Nevertheless, the difference in overall performance is considerable:

a) In 1977 Federal Germany regained the rank of the world's greatest exporter to the United States, a place which was occupied before the war by the Third Reich. France, overtaken by Japan in 1964, overtook England in 1972 and since then has occupied the fourth rank. In 1977, German exports rose to 21 percent of the gross national product. The French exports rose to 16 percent (compared to 11 percent in 1960).

b) During recent years German exports have amounted to about 11 percent of the world market and French exports to about 6 percent. In other words, on the average French exports are not greater in value than 55 percent of the German exports. The proportions have not varied greatly since 1965.

c) German imports amount to about 7.1 percent of world imports and French imports to about 6.8 percent. This means that Germany is accumulating trade surpluses; and France is accumulating either deficits or small surpluses. This observation is valid both for years of prosperity and for years of recession. Germany's cumulative surpluses rose to 68.8 billion European Accounting Units [UCE] during the period from 1964 to 1973 and to 64.7 billion UCE during the period from 1974 to 1977. France's net cumulative surpluses rose to 3.2 billion UCE during the first period and the net deficits to 8.8 billion UCE during the second. There is therefore a structural phenomenon involved whose explanations must be sought in the distribution by sectors and the distribution by geography of the trade.

An examination of the distribution by sectors should deal with imports as well as exports. The group of imports of food products, fuels and of raw materials amounted in 1977 to a little more than two-fifths of the total imports of the two countries--42 percent for France and 41 percent for Germany--but with different proportions among the three elements: 13 percent and 14 percent for food products where France has a natural advantage, 7 percent and 8 percent for raw materials, of which the German industry is a larger consumer than French industry, 22 percent and 17 percent for energy where France's dependence on foreign sources is (77 percent) much greater than Germany's (58 percent). The deterioration of exchange rates resulting from the increase in petroleum prices has had as a consequence raising the share of energy products from 12 to 22 percent of total imports for France and from 11 percent to 17 percent for Germany between 1973 and 1975. This increase in the petroleum invoice is equivalent to a previous deduction of 4 percent of the gross national product for France and 2.6 percent for Germany. The increase in the petroleum price on the order of 65 percent, which occurred in 1974-75, will increase the difference between the surcharges imposed on the two economies by the cartel of producing countries.

On the side of manufactured products, France proportionally imports more machines and transport materiel (23 percent) than Germany (19 percent). This point takes all its significance from an examination of the structure of exports. The group of non-industrial exports (food products, energy and raw materiel) amounted in 1977 to 20 percent of French exports and only 10 percent of German exports. The importance of industrial exports, predominant in both countries, is again higher in Germany than in France. In this group chemical products constitute one of the prime sectors. German exports of chemical products rose to \$14 billion in 1977 (12 percent of total exports), leaving a positive balance of \$6.2 billion. The corresponding French exports rose to \$7 billion, leaving a positive balance of \$1.2 billion only.

The other primary sector is made up under the heading of transport machinery and materiel. German exports under this heading rose to \$56.5 billion in 1977 (48 percent of total exports), leaving a positive balance of \$37 billion. Opposed to that, French exports rose to \$23.7 billion (37 percent of total exports) and left a positive balance of \$7.8 billion. Thus, the ratio of chemical exports was two to one in favor of Germany and the ratio of balances was five to one. The ratio of exports of transport materiel and machinery was 2.4 to 1 in favor of Germany and the ratio of balances was 4.7 to 1. Those ratios indicate the specific weight and the force of German penetration in two key sectors of modern industry.

A group of experts from the European Community has calculated the indices of specialization of the principal industrial countries for products considered as fundamental for mastery in the international division of labor.

It is a matter of the products assuring technological mastery, of intermediate goods and of principal investment goods (with the exception of transport materiel). For the whole of these three categories, the index of specialization was 1.28 for Germany and 1.02 for France in 1976. Germany was assured

of 7.11 percent of the export market and France of 9.1 percent<sup>8</sup>. Industrial specialization of an economy is beneficial when it concerns products whose world demand is increasing vigorously, such as goods for industrial equipment and above all machines. German industry from the beginning of the 50's has adapted to the evolution of the world demand after 1960.

Geographic distribution of exports from the two countries presents some similarities, but the balances from the exchanges are often contrary. The two countries conduct approximately half of their trade with the EEC and three-fifths with OECD Europe. At the same time, Germany shows considerable and continuous surpluses with France in spite of the increase in value of the Deutschmark and the depreciation of the franc since 1969. Its commercial balance shows a surplus with all its other neighbors: Austria, Switzerland, Belgium, the Scandinavian countries--with the exception of the Netherlands, however, because of its purchases of natural gas. It has created a very tight and very integrated network of trade which has found its expression in the monetary domain under the form of fixed rates of exchange. The monetary "snake" created in 1973 around the Deutschmark has a strong commercial foundation. The part of the exports sent to the United States is much smaller, but bilateral trade is almost balanced. To the almost impenetrable market of Japan, the rate at which exports cover imports is on the order of 30 percent. Thus, the products of German industry have imposed themselves on the markets of the traditional industrial countries. They also penetrate into the markets of the developing countries such as Brazil, Mexico and South Korea. But the most remarkable performance is that of its trade relations with the OPEC countries. Germany is the largest European importer of petroleum. It has been successful in converting a DM 13 billion deficit with OPEC in 1974 into a surplus of DM 5 billion in '78, bearing witness to its prodigious capacity for adaptation. Although Germany is the primary exporter to the eastern countries, this traffic represents only 6.3 percent of its sales. It is assuredly surplus-oriented.

In 1970, in spite of the 1969 devaluation of the franc, France showed a deficit with regard to all its partners in the EEC. Evaluating the period from 1969 to 1972, INSEE [National Institute of Statistics and Economic Studies] observed: "The productive apparatus does not seem to have transformed its internal characteristics sufficiently to ameliorate its compacity for competition"<sup>9</sup>. This judgment cannot be substantially modified with regard to the decade of the 70's. Its rate of covering trade with the EEC is stationary (91 percent in 1970, 92 percent in 1977). It is retreating in regard to Federal Germany (88 percent in 1970, 83 percent in 1977), essentially because of the unfavorable trade balance with respect to investment goods. It is at 60 percent with the United States, 20 percent with Japan and only 50 percent with the petroleum-producing countries. The deficit in regard to the industrial countries and the OPEC countries has been compensated only in part by a surplus with regard to the non-petroleum-producing developing countries and countries with centralized economies.

## Sectorial Analyses

The preceding analysis presents an overall view of performances by French and German industry in international competition. It is fitting to illustrate with a few examples which stress, on the one hand, the relationships between forces and, on the other hand, the branching strategies in periods of expansion as well as in periods of recession--a useful stage before comparing overall strategies.

The sectors chosen are the agriculture and food industries, the wood industry, chemistry, steel, machine tools, textiles and automobiles. Except in the more specialized case of the automobile, they show German superiority in management and in research capacities. This does not mean that the efficient activity jointly pursued by French industry and the French public powers in other sectors such as hydrocarbons, nuclear energy and aeronautical construction should be underestimated. The important sector of electrical and electronic construction, which would deserve a special development, has also not been discussed.

### Agro. Food Industries

Examining the curves of agricultural potentials of the two countries, Professor Eltsmann observes: "The technical superiority of German agriculture and its natural advantages of French agriculture are mutually compensatory"<sup>10</sup>. It is true that German yields are greater than French yields in most agricultural specialties, although the difference, wide in 1950, has narrowed considerably. Thanks to research on cereals, France has increased its export capacity. However, half the exports in the French agro-food sector are made up of raw products (unprocessed cereals) or partly finished, while imports and exports of finished food products are in balance. If Germany remains the principal client of French agriculture, it has achieved the rank of third agricultural exporter in the community following France and the Netherlands. The German food industry is experiencing a great expansion and its turnover in 1978 was greater than that of the French food industry"<sup>11</sup>. The food and agricultural industries devote only .4 percent of their gross value to research; they are very dependent on foreign countries for their procedures and their equipment<sup>12</sup>.

### Wood Industry

Wood is that rare renewable industrial raw material that France has in abundance. French forests cover one-fourth of the national territory. Their area is twice that of the German forests. Germany, however, has converted almost all of its brush lands into climax forests, in such a way that production is 4.4 cubic meters per hectare compared to 2.2 cubic meters per hectare for France. The wood industry is the second heading of France's trade deficit, following energy. There is foreign dependence of 50 percent on newsprint, 25 to 30 percent on kraft paper and cardboard. The basis for that deficit is shifting to finished products. Thus, France is the largest importer of



furniture in the Community. It is "in great part due to insufficient research on management practices and the techniques of exploitation and chiefly to the increased value of the wood".<sup>14</sup> In trade within the Community France shows the largest deficit and Germany the greatest surplus<sup>15</sup>. In the opinion of a reporter to the Economic and Social Council "France...possesses today considerable resources in wood which are not utilized"<sup>16</sup>.

#### Chemical Industry

Germany is the leader of this industrial branch not only in Europe but in the world. It is responsible for 27 percent of OCDE Europe's turnover and France 16 percent. Its industry is the strongest performer with 57.5 percent of the added value, while France had only 40.2 percent in 1975.<sup>17</sup> Germany is also the largest exporter in the world, its sales reaching one-third of production. The three principal German groups--Hoechst, Bayer, BASF [expansion unknown]--had a total cash flow of 134.6 billion francs in 1976 at the same time that Rhone-Poulenc, the most important French group, showed a cash flow of 21.7 billion francs. The German companies are solidly established in foreign countries and specifically in the United States, Belgium, the Netherlands and one of them, Hoechst, in the pharmaceutical industry in France.

Chemistry is and will remain one of the industries most dependent on the results of research. The French industry, whose level of research has been distinctly improved during the last 20 years, should develop its production to a high added value in order to wipe out its deficit in the manufacture of fine chemical products<sup>18</sup>.

The chemical industry has been hit by the recession in two of its branches: artificial fibers and petrochemistry. German companies reduced their production capacity and their payrolls in the fiber branch between 1975 and 1977<sup>19</sup>. Rhone-Poulenc, which after 1975 was one of the greatest losers among EEC industries, followed that example in 1978<sup>20</sup>.

#### Steel Industry

France and Germany developed their productive capacities for steel in parallel: 17 and 34 million tons in 1960, 22 and 51 million tons in 1974. The ratio between these quantities remained unchanged, 1 to 2. However, the German industry proceeded to a gradual reduction of its labor force from 310,000 to 230,000, while the French labor force was stabilized at 158,000. As a result, the production per wage earner and per year became clearly higher in Germany than in France. The increase in German productive capacity was carried out in large measure by internal financing, while French industry increased its capacity through borrowing. The indebtedness of the German steel industry was 16 percent of the cash flow in 1975, and the indebtedness of the French steel industry was more than 100 percent. Both industries were exporting about one-third of their production, but the French market was much more permeable to imports so that the positive balance for Germany was, before the crisis, on the order of four times that of the French balance. Germany



was manufacturing a larger proportion of special steels. The large German companies, Thyssen in particular, controlled some manufacturing enterprises which absorbed a part of their production and reexported it in finished form.

Due to an impulse given by the state, which was the guardian of the industry through the Syndical Chamber of the French steel industry, an ambitious development program was decided on in 1973-74 to reverse this trend. It was to have been finished in 1975-76, at the worst of the crisis. The closure of the obsolete installations was postponed to 1978 because of election results. The guardian state was obliged to take over the debts of the industry, which had in 1979 to borrow again in order to carry out certain modernization projects. Compared to its German neighbor, it had "an obsession for produced tonnage rather than one for profitability"<sup>21</sup>. German industry was free in its movements. In 1975 it set in motion some measures to reduce the number of employees and to share production, through the medium of a de facto cartel, with its Dutch and Luxembourg counterparts, whose activities it controls. The losses of recent years were mostly wiped out. The industry has already turned toward the future. A study by the Kiel Institute emphasises that the traditional producers of the United States and Western Europe will lose in international competition for large-scale production of steel to the profit of the young industrial nations. Their competitiveness will be based on the production of special steels and of capital equipment for the steel industry and in the promotion of steel technology<sup>22</sup>.

#### Mechanical Tools

The machine-tool industry is a mother industry. The competitiveness of the mechanical and electrical industries depends on the quantity, quality and availability of its products. Machines represent one-third of the investments in those two branches. The development of the machine-tool sector depends on innovation, engineering, a strategy of standards and an ability to respond to the specific needs of the clientele of the old and new industrial countries. Germany is the principal producer and the first exporter of machine-tools world wide, with 42 percent of the market. France is the seventh producer, the sixth exporter, with five percent of the market, and the second importer. It is the only large industrialized country which imports half of the material destined for domestic consumption, and half of these imports come precisely from Germany. When French industrialists sell factories with key in hand, they must, since they do not have complete lists of products, include machine tools of foreign origin in their transactions. The precarious situation of the machine-tool sector in France is explained in part by the systematic imports of German machines and American machines after each of the two world wars. It constitutes a permanent handicap for French mechanical and electrical industries<sup>23</sup>.

German industrialists have the capacity to rapidly detect the machine tool needs of the new industries because they keep themselves abreast of the latest technical developments. Their companies, generally of average size, are in close contact with each other in such a way as to constitute consortiums capable of executing large export projects<sup>24</sup>.

## Textile Industry

The textile industry has a certain elasticity of demand in relation to income. A slow but continuous decrease in spending on clothing has been observed in the industrialized countries of Europe. Several countries in southeast Asia have begun to export finished products, especially clothing, instead of basic products such as yarn and cloth. The response of Germany to this evolution has been twofold. On the production level, it has lessened its investments and squeezed out its employees more rapidly than France. On the trade level, it has ceased exports of finished products, exporting semi-finished products to the Third World. It has remained the No 1 exporter of industrial cloth world wide. Thanks to its sales as well as to the sales of textile-manufacturing machines, Germany has been able to compensate its deficit in the traditional textile chain. France, on the other hand, had a more protectionist response especially through two versions of the Multifiber Convention negotiated between the Community and several producing countries in the Third World. The process of adjusting was put off<sup>25</sup>.

## Automotive Industry

France and Germany have 4 out of the 10 most important manufacturers in the world: Peugeot-Citroen (No 4), Volkswagen (No 5), Renault (No 6) and Daimler-Benz (No 9). However, the rate of production growth of the French firms during the 10 years to 1966 to 1976 was more rapid than that of the German firms.

The two countries export about half of their production, which in the sector of private and commercial vehicles rose to 3.8 million for Germany and 3.6 million for France in 1977. The export of automobiles is one of the principal items (13.5 percent) among French exports. Against competition, these exports are four-fifths successful in the EEC countries. Volkswagen has carved out an important place in the American market and has found itself overtaken by Japanese vehicles.

The industry, in a slow technological evolution, is showing weak gains in productivity. The average profitability is plainly lower in France than in Germany. Peugeot has always had satisfactory results and in 1976 straightened out the financial situation of Citroen, which was absorbed in 1974. Renault, a nationalized enterprise, has no funds of its own, practices an avant-garde social policy and makes no profits. Volkswagen had shown some losses in 1975 and then proceeded to licensing arrangements. Its results, as well as those of Daimler-Benz, were profitable in 1977. In last place, it is proper to note that the average profitability of the French and German companies is small in comparison to that of General Motors and Ford.

In the sub-sector of luxury automobiles, Mercedes occupies a high place. In the sub-sector of heavy automobiles, Daimler-Benz has a high technical qualification and a good profitability while Renault Industrial Vehicles has shown heavy losses after its merger with Berliet-Saviem, those two firms not having

been able to find acceptance on the European market. In the sub-sector of accessories, Bosch has a cash flow three times greater than that of Perodo. French superiority in tires is shown by Michelin, which is sold in large quantities in North America.

In France, the automobile has been one of the prime movers in the growth of the economy in times of prosperity and a supportive element during crises. French competitiveness has been upheld in that sector. That having been declared, the European market is rather close to the saturation that is beginning to be shown in the United States, and the two large American manufacturers are renewing their models in conformity to the severe energy and ecological standards which will make them serious competitors in Europe and in the Third World. Even with the optimistic hypothesis of an assured supply of petroleum, the automobile industry cannot be classified among the sectors of the future.

### German Strategy

The German industrial strategy is carried out within an original institutional framework starting with direct, limited intervention by the Federal State. It is supported by two pillars: a solid financial and commercial infrastructure and a coherent and flexible large-scale economic policy.

The institutional framework is characterized by the balance of powers and the pluralism of debates in a federal state. All economic legislation includes long preparatory labors inside both chambers and in particular in the Bundesrat, where the Laender make their voices heard. The constitutional independence of the Bundesbank obliges the government to keep in mind the counsels of the issuing institution in the conception and execution of its budgetary and monetary policy. The Council of the Five Wise Men every year makes retrospective and prospective conjunctural analyses which have a large audience and which are part of the process of forming public opinion. The five great conjunctural institutes, half financed by the Federal State and half by the Laender and based respectively in Munich, Hamburg, Kiel, Berlin and Essen, each publish twice a year their diagnoses on the nation's economy. Two other famous institutes are at work, one of them in relation with the employers federation of Cologne, and the other with the labor federation in Duesseldorf. The labors of the various institutes are studied and commented on by the media and in the large enterprises.

This permanent debate and the performances of industry have caused acceptance of the doctrine of the market social economy, which is summed up in the slogan: "As much competition as possible, as many limitations as necessary." "The German social consensus requires the total acceptance by the population of the chosen economic system"<sup>26</sup>. It is facilitated by a more egalitarian revenue sharing than in France<sup>27</sup>.

Concerted action, instituted by Economics Minister Schiller, permits practicing a rigorous policy when circumstances demand it. As Dr. Emminger, the retiring president of the Bundesbank, declares: "It is the credibility of the

policy of stability followed by the authorities which has laid the foundations of the consensus." The extension of comanagement in 1976 to all enterprises with more than 2000 wage earners has facilitated its continuation in spite of transitory social tensions.

The economic minister is responsible for maintaining the great economic equilibrium. There is no Industry Ministry but there is a powerful Research and Technology Ministry. The federal sector employs 9 percent of the wage-earners. Its independent management is generally good. The profitability of certain public enterprises has permitted their partial sale to private interests: that is the case of Volkswagen and of Lufthansa. Subsidies to industry are principally devoted to research and development, 70 percent of federal aid being concentrated in 13 companies in the electromechanics, computer, aeronautics, nuclear energy and coal sectors. Except for the last named sectors, these are exporting industries.

Private industry is closely connected to the banking sector. The nature of these relations can only be sketched. The representatives of the banking sector sit on the supervisory councils and are therefore involved in choosing the members of the enterprises' boards of directors. The banks control the capital of the principal firms, insuring a good integration of trade and industry which makes the German market difficult to penetrate with imports. They are perfectly equipped to carry out financing operations for the international trade of their clientele. The seriousness with which the enterprises prepare their sales abroad is a national characteristic. The penetration of Volkswagen into the American market was due, contrary to that of Renault, to a remarkable technique for marketing and publicity. The medium enterprises rely, especially for overseas operations, on international trade houses established in Bremen or in Hamburg, which have a perfect knowledge of far-off markets and which are characterized by a narrow specialization in certain ranges of products. When they behave as purchasers of merchandise they assure its flow into foreign markets, which limits the role of the producer to that of interior sales. The medium enterprises are encouraged to deal at second hand, to organize stable relationships with the large groups. Programs of technological up-dating and of aid to innovation are organized on their behalf<sup>28</sup>.

Finally, German industry is broadly represented in the oligopolies which dominate the production and commerce of the principal types of products in the trade system of the OECD area. The reception given to the foreign multinationals on German territory is the guarantee of a reciprocity profiting German companies in foreign countries. In Germany the authorities have left the field open to Anglo-American petroleum companies and to Swiss, English and American groups from agro-food industries. However, it is the German multinationals which are strong in chemistry with Hoechst, Bayer and BASF; in electromechanics, including telecommunications and computers with Siemens; in steel manufacture and its extension into the mechanical field with Thyssen and Mannesmann; in the automotive industry with Volkswagen (private cars), Daimler-Benz (Mercedes luxury cars and trucks) and Bosch (spare parts); in nuclear energy once again with Siemens and its commercial subsidiary KWU



[expansion unknown]. The revaluations of the deutschmark have favored direct investments by multinationals which operate in Europe itself; in the United States, by acquiring certain technologies and by winning a part of the market; and in the developing countries by decentralizing labor-intensive manufacturing. Since 1974 the volume of German investments abroad has been greater than the volume of foreign investments in Germany. The favorite countries, competing for nearly half of the investments during the period 1952-75, were Spain and Brazil because of a favorable wage-productivity ratio and the aid of the local governments in the infrastructure<sup>9</sup>. The elevation of these two countries to the rank of "new industrialized countries" emphasizes how well founded this option of the investors has been.

The effectiveness of German industry has not spared it from certain reverses: in photography, in precision mechanics and in large-scale electronics for the public, to the profit of Japan. The surplus capacity in the steel industry has already been mentioned.

Of the four major objectives of large-scale economic policy--stability, growth, full employment, foreign equilibrium--the German governments, haunted by the memory of the inflation that followed each of the two wars, have without any distinction of party given priority to stability. This, in their eyes, was a guarantee of the strength of their money and of foreign equilibrium in a long-run setting.

Until the 40's, several factors contributed to a relaunching of the economy: the small demands of refugee labor, American aid, the freeing of investments and, over and above everything, the under-valuation of the deutschmark. The average rate of growth of the gross national product rose to 5 percent during that period and the rate of investment to 25 percent beginning in 1955.

The competitive advantage of the exchange rate was maintained until about 1958. Except during the 1967 recession, industry attracted foreign labor and capital. The rate of investment remained stable at the same level, but the growth was more moderate: it rose to 5 percent in the 60's. The increase in prices to the consumer did not exceed 2.7 percent during the decade of 1961 to 1970. As during the 50's, the trade surpluses accumulated.

With the 1969 revaluation a succession of monetary adjustments began which was to increase in 1977 the relative value of the deutschmark in relation to the currencies of the principal trade partners of Germany by 64 percent<sup>10</sup>. Wages became the highest in the world, profits declined, the investment rate fell to 20 percent and the rate of increase in the economy fell to 1.9 percent during the period from 1970 to 1975. Contrary to forecasts, trade surpluses, far from drying up, increased. The international demand for German investment goods was strong and scarcely affected by prices. Germany evolved in a "virtuous cycle." The policy of internal stability insured the development of exports, whose expansion permitted bearing up with repeated revaluations. These, in their turn, favored internal stability by reducing the cost of imports<sup>11</sup>. The dominant position of Germany was reinforced in the markets of

sectors in which it specialized thanks to the slow-down in the growth of the economy which compensated for monetary revaluations.

According to the Kiel Institute for World Economy, German exports must be concentrated even more in chemistry and investment goods. "The manufactured products of the developing countries are one cause, and not the most important, of structural adjustments. Technological progress and the changes in demand are playing a much more decisive role." New jobs will come into being in the investment goods industries, stimulated by exports, while some displacement of labor due to imports from the developing countries will be concentrated in the sector of consumer goods<sup>32</sup>. The philosophy which is deduced from this analysis is that unemployment is the social price of necessary structural change and that the process of adaptation must not be slowed down<sup>33</sup>. "All in all, in Germany there is a broad consensus among the government, industry and labor unions in favor of an offensive strategy adapting itself to structural changes and orienting itself toward the industries as a basis for knowledge as a necessary condition for the future growth of the economy and of employment"<sup>34</sup>.

The system is coherent. It is not invulnerable. The German economy, greatly dependent on world economic activity, would also be disturbed by a crisis which seriously affected its European partners (with whom it is broadly solidary). Its capacities for anticipation and adaptation will then be a great help to it.

### French Strategy

French industrial strategy is carried on in a centralized framework. Still, the financial and trade infrastructure has been less profoundly transformed than the industrial plant. The large-scale economic policy has been subjected to variations and it has often been disputed.

The institutional framework of the Fifth Republic is characterized by the preponderance of the Executive Branch and within the Executive by the preponderance of the Economy Ministry, whatever may be the political labels of its members. The voice of the local elected officials is barely heard in the parliamentary debates. The annual discussion in parliament on the options and execution of the successive plans is followed by few modifications in the distribution of credits. The reports of the Economic and Social Council, whose composition has a clearly corporate character, are scarcely commented on and their opinions are hardly ever followed. It is significant that two high officials, in a recent report on the economic and social report addressed to the president of the republic, emphasized that "France is the only developed country where the apparatus for economic study and forecast is almost a state monopoly" and judged that pluralism is a gauge of scientific progress and accuracy<sup>35</sup>. That pluralism would certainly be beneficial in the present state of division of society with regard to the economic system. Leftist opinion rejects capitalism and the market economy. Rightist opinion is hesitant and divided with regard to the benefits to be expected from competition. It is



badly informed as to the pressing and unavoidable character of foreign constraints. Therefore, both within the interest groups and within the political parties of the majority which has been in power for 20 years, there is no real consensus for an open economy. The protectionist tradition, which was dead at the time of the expansion, finds broad support in this time of recession. Finally there is no economic dialogue between the majority and the opposition, for the lack of common bases and of a common language. It is difficult to apply a policy of inflexibility in these conditions. The last one up to now was that of Antoine Pinay in 1959.

The essence of the system is in the administrative guardianship which the ministers of the economy and the interior exercise over the local collectivities; the economy minister and the technical minister have competency over the public and mixed sectors of industry and over the key industries of the private sector.

The public sector is involved in 11.8 percent of the added value, 12.9 percent of the labor force and 28.9 percent of the investments in industry<sup>16</sup>. It is preponderant in energy, transport, the banking system and insurance. The tariff policy is often inspired by these considerations of conjunctural circumstances. Also, the nationalized enterprises generally have a low rate of self-financing. The total amount of the subsidies to the nationalized sector rises to 10.1 billion francs in 1978<sup>17</sup>. The growth of that deficit has been a factor in the large-scale economic imbalance.

French scientific and technical research is recognized as insufficient and its reform is under study<sup>18</sup>. Research is not considered--contrary to the practice in countries with a Germanic culture--as the real vocation of a university. In the private sector (which receives only one-quarter of the public credits for research) the technological developments have not progressed at the same rate as in Germany.

The collaboration between banking and industry is not as close as in the FRG. That is the case for a series of reasons: the smaller importance of financial participation by the banks in the capital of the enterprises; the slow introduction into France of the system of companies governed by a board of directors which, alone, permits separating the functions of control from the functions of management; the maintenance of the rediscount practice which does not allow the banker--contrary to the overall credit for exploitation recognized in the Layoux report--to give an overall judgment about his client.

The absence of vertical integration in trade and industry contributes to the strong tendency to import which characterizes the French market. The rate of penetration is in fact greater than in the German market. On the other hand, a trade infrastructure able to stimulate exports is insufficient. Exports are carried out by a rather restricted number of companies. The participation of the medium enterprises is too reduced on the one hand, because few large groups have organized networks for subsidiary trade; furthermore, because the companies which export have only a limited role in international trade, both from

the point of view of the turnover that they are responsible for and from the point of view of the number of services rendered. "Overall, French industry is still an industry of producers and of technicians which does not know how to make a place for traders"<sup>39</sup>. Many enterprises are handicapped by the insufficiency of their knowledge of English--the language of business--among their engineers<sup>40</sup>.

As Alain Cotta observes, "For a great number of products the world market will from now on be an almost stable monopoly situation, animating a vast amount of secondary trade." This oligopolistic structure makes any new entry difficult<sup>41</sup>. Now France has few multinational companies and the profitability of some of them is not very high. The realms in which it is most advantageously placed are petroleum with CFP [expansion unknown] and ELF ERAP [expansion unknown], the automotive industry with Renault and Peugeot-Citroen, and the tire industry with Michelin. Rhone-Poulenc has been severely tested by the recession. There are no French companies in the Siemens class--or in class of Philips in the Netherlands--in the electr-mechanical domain.

The government has intervened very actively in the orientation of industrial policy. The extent of the public sector, after the 1945 wave of nationalizations, gave it some means of direct action. The drawing up of successive plans for modernization permitted it to define the middle-term objectives. Its authority over specialized financial institutions and over the nationalized banks offered it the possibility of controlling volume in the direction of credits to private industry. Finally, the play of subsidies and public orders facilitated the operations of concentration and of promotion. "The industrial imperative," such as it was asserted in the 60's, demanded being present in the base industries as well as in the high technology industries. It was a strategy for national independence, carried on over a wide front, but without a strong mechanical and electrical industry, a common denominator of all high technologies. This ambition and this gap explain certain setbacks in the policy of projects. Of course, in the nuclear domain, the tandem of COGEP (expansion unknown), the industrial subsidiary of the Atomic Energy Commission and of FRAMATOME [Franco-American Atomic Construction Company], the Westinghouse licensee through the Emmap group, has made a penetration, thanks especially to a broad program of national construction. But the results in computers have been less successful; after the abandonment of purely French solution and that of a European association, the government had to fall back on a Franco-American association. In aeronautical construction, Dassault and Aerospatiale, considerably subsidized, are engaged by necessity in European coproduction. Some concentrations have come about under government impulse in most industrial branches. However, those "national champions" of recent creation are not so strongly integrated as their German opposite numbers. The depreciation of the franc has been and still is an obstacle to their acceptance abroad.

The ambition to make France an industrial power has been manifested on the large-scale economic level by the pursuit of growth to the detriment of price stability. The annual mean rate of growth of the gross national product [GNP],

measured at constant values, rose to 5.3 percent during the period from 1966 to 1974 compared to 4 percent in Germany. Competitive equilibrium was sought or accepted as of the decade of the 50's by monetary depreciation rather than by comparison of costs and prices.

Following the devaluation at the end of 1959, the French government, starting with the equivalence of 1.17 francs for 1 deutschemark, chose the route of tariff dismantlement within the framework of the EEC. Price control, which had been suppressed in 1959, was partially reestablished in 1963. It did not stop the increase of prices to the consumer from being clearly higher in France than in Germany during the period from 1961 to 1970: 4 percent compared to 2.7 percent.

Wage increases following the 1968 strikes accentuated the excessive valuation of the franc. A devaluation was necessary. It coincided with the revaluation of the deutschemark in 1969, parity then being established at 1.51 francs to 1 deutschemark.

In the end, the French industrial strategy proved its dynamism, being successful in several branches and modifying the behavior of the economic factors to a considerable degree.

However, it was not able to efface the historical weight of two generations of protectionism. Serious imperfections are brought to light with regard to reverse flow upstream from production and marketing downstream. On the sectorial level, the most serious gap is in regard to the insufficient promotion of the mechanical industry, the mother industry of the investment goods.

State intervention has been revealed as expensive and up to a certain point contradictory (in the sense that subsidies were allowed simultaneously to the growth industries for their expansion and to declining industries for their support).

Now the costs of defensive policies which consist of helping the sectors and enterprises in difficulty are paid by the unassisted sectors in the form of price increases and taxes and a diminution of resources. "The measures which in fact channel profits, capital and management teams away from the most dynamic sectors of the economy towards those which are less so will in time bring with them lower investments, lower productivity and more inflation; consequently in the end fewer jobs and not more"<sup>42</sup>.

#### Crisis Strategies

Two outside events affected the industrial policies of France and Germany: the devaluation of the dollar in 1971, followed by its floating after 1973 and the increase in petroleum prices in 1974.

The floating of the dollar obliged the two countries to reconsider their monetary policies.

The increase in petroleum prices constrained them to increase their exports of manufactured products to compensate for the deterioration in exchange rates and to reorient those exports toward the OPEC countries and toward the new industrialized countries.

The deutschmark appeared as a refuge currency in the disorder of the floating exchange rate. The German monetary authorities on the one hand wanted to avoid too great a depreciation in the dollar and on the other hand did not want the supportive operations for the dollar, by selling deutschmarks, to excessively swell the monetary mass and threaten internal price stability. They wanted also to promote in Europe itself, around the deutschmark, an area of monetary stability. The European monetary "snake" was created for that purpose in 1973.

The French authorities, for whatever cause, were obliged to avoid a depreciation of the franc with respect to the dollar since imported petroleum was payable in dollars. Should they align the franc on the deutschmark so as to pursue the objective of a monetary union which had been defined at the community summit in 1969? Two unsuccessful attempts to integrate the franc into the "snake" failed at the end of a few months in 1974 and in 1976. The franc depreciated with respect to the deutschmark, the average parity of 1978 being established at 2.24 francs to 1 deutschmark. It was then that the French and German governments decided to put into effect a closer monetary cooperation by creating the European Monetary System [EMS] which went in effect in 1979.

Since 1974, Germany had been engaged in a policy of restricting domestic demand to combat inflation. The rate of growth of the gross national product had not exceeded two percent per year on the average during the period from 1974 to 1978. The investment rate had varied from 25 to 21 percent. The increase in prices did not exceed 2.6 percent in 1978. The reorientation of imports was effectively carried out. The OPEC countries were carrying out an industrialization based on a very high rate of capitalization. German industry was able to provide their needs. The rate of coverage of German-OPEC trade increased from 55 percent in 1970 to 107 percent in 1977. In 1977, the continual reevaluation of the deutschmark for the first time in many years noticeably reduced the surplus in the trade balance, the German economy becoming more permeable to imports from its principal partners.

The French reaction to the crisis was slower and not so strong. The relaunching of the economy in 1976 was premature. The Barre Plan at the end of 1976 should have recognized a strong socio-political pressure in favor of maintaining consumer purchasing power. During the period from 1974 to 1978 the mean annual rate of growth of the gross national product rose to 2.7 percent. The investment rate stayed at almost the same level as in 1970-73, thanks to the public sector. The increase in prices in 1978 was 9.1 percent. A reorientation of commercial transactions was tried, but the rate of covering trade with the OPEC countries remained unchanged at 50 percent between 1970 and 1977.



In Germany, an adaptation to the economic crisis could be made thanks to the important role of the dynamic industries--chemistry and investment goods--and thanks to the specialization in products that used new technologies and highly skilled labor. In France, the adaptation was only partial. The movement toward the development of industries manufacturing equipment with high added value was pursued vigorously. Investments were directed toward rationalization. However, the number of employees remained too high too long in the sectors threatened by the international division of labor. Finally, their presence on the export markets was still too recent to have solid foundations<sup>43</sup>.

#### Some Words in Conclusion....

The president of the republic would like France to remain in the front rank of world economies. The creation of the European Monetary System witnessed his wish to pursue European construction starting with Franco-German cooperation.

Can France achieve those objectives when its rate of inflation is at least twice as high as the German rate? Isn't it exact that the difference between France and Germany continues to increase<sup>44</sup>? Isn't the relationship between the franc and the mark condemned to grow even worse? Is there another policy for France taking into account the monetary and industrial performances of Germany, a policy of doubling back on itself?

Two observations impose themselves before we try to answer those questions. The first one concerns the relations among industry, currency and the political power. A competitive industry, generating trade surpluses, is the support of a strong currency. German history over the last 30 years has proved this. By its industry, the FRG has endowed itself with an economy dominating the European Community. Its currency has become a regional currency which extends to the little countries on its periphery, whether or not they are members of the EEC. The American authorities dialogue directly with the Bundesbank.

The second observation concerns the structural handicaps that France has in relation to Germany in international competition. The one has drawn on its energy resources: France, from this point of view, is poorly endowed; it suffers and will suffer more from the increases in the price of petroleum. The other one concerns demography: The most numerous age groups show up in the labor market; France will suffer more from unemployment for several years. The last handicap is that of the industrial, commercial and financial structures: It has been analyzed above; it is perfectable with time and under certain conditions.

The sense of the reforms to increase the value of the badly exploited natural resources, to strengthen the mother industry, which is mechanical construction, to watch over the quality of products and not their tonnage, to specialize manufactures as a function of world demand, develop research,

reduce the propensity to import, to increase knowledge of the markets, in short: to carry out an industrial revolution which is still unfinished. Because "France will have the industry that it deserves through its own efforts and its own intelligence"<sup>45</sup>.

There is no alternative to the option of opening onto the outside world, to the option in favor of as stable a currency as possible, to the option in favor of as high a rate of investment as possible and, therefore, to a certain limitation of consumption.

It is still necessary that all of these severe options be upheld by the political class and accepted by the population. They will not be upheld and accepted except by better information about the economic situation and about the political stakes. Considerable progress, really unexpected progress, has been accomplished in several sectors of French industry since the war. They must not mask the intrinsic weaknesses of other sectors. The perception of foreign constraint, which was imposed on Germany immediately after the war, should be imposed with the same force on France at the worst of the crisis. In the perspective of a reduction or at best a stagnation of overall revenue, a broader consensus is necessary. Some tough social reforms are required. It is, in fact, only at this price that national cohesion can be maintained. And it is also only on that condition that a satisfactory equilibrium between France and Germany will be found within the European Community.

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## COMMENTARY ON DEBATE ON QUEBEC REFERENDUM QUESTION

## Quebec Party Moving Ahead

Montreal LE DEVOIR in French 22 Mar 80 p 16

[Article by Jean-Claude Leclerc: "After the Second Period"]

[Text] Most analysts believe that it is the Quebec Party and not the liberal opposition that is emerging from the debate on the referendum question as the victor. If one is permitted a comparison with hockey, our other national sport, one could say that following the first period that began with the filing of the question, the liberals took an easy lead, 1 to 0. But the second period -- on television -- was to show a clear PQ [Quebec Party] surge with the score now 2 to 1. For the first time since the polls and bets came out with "No" winning, one could expect anything and the third and final period would begin after Easter.

The spectators in Ottawa needed nothing more to begin pawing the ground and lacing up their skates. Some of the owners of the liberal club even started thinking about changing their coach, Claude Ryan. Nothing has yet come out of the chambers of the Liberal Party in Quebec but outside, one thing is certain among amateurs as well as professionals: The stamp of invincibility marking the new leader of the PLQ was shattered on the steel-hard ice of the National Assembly.

How could such a shift have come about? Is it possible for the PLQ, which is going to dominate the "No" committee, to regain the advantage in the referendary contest?

Following an initial analysis, the liberal opposition was reportedly the victim of disloyal maneuvers. The Quebec Party, because of the number of speeches and the time it had, is said to have easily dominated. But instead of sticking to the debate on the agenda, explaining and justifying the text of the referendary question as presented by the prime minister, the ministerial deputies criticized the federal system. Before they were even pushed into the corners of their option, the representatives of the Quebec Party went on the offensive and tore to pieces an option that was not yet on the

agenda, that of the renewed federalism of the "beige book." Instead of behaving like legislators, they systematically acted in the way that the opposition had been incapable of doing, becoming the critics rather than the proposers in the debates of the National Assembly.

There is some truth in this interpretation, but style alone does not explain the ministerial superiority during the 35 hours allotted to the question. It is naturally quite likely that theatrics such as the conversion of Rodrigue Biron or, at the very end, that of former liberal minister Kevin Drummond created a climate favorable to the orientation which Rene Levesque and his colleagues had tried to give to the debate. But there is something more. The PQ won because it spoke about the substance of the matter, not about technical, semantic or legal problems. The liberals also tried to do so, but they were already enmeshed in legalistic or moralistic arguments. They succumbed to partisan politics, even when they were attacking a PQ which definitely deserved it, while the defenders of the "Yes" vote managed to give a "nonpartisan" tone to their cause.

At the root of these strategic errors, according to some, was the liberal decision to publish a constitutional bill on which the Levesque government would attack Claude Ryan's team members and put them on the defensive. The error, if there was one, resides less in the publication of such a bill than in its excessively ambitious, excessively "Canadian," excessively technical nature, which in order to save federalism underestimated the Quebec demands. Consequently, the PLQ found itself in a position of leaving to its adversaries all the strictly nationalist ground. Many Quebecers want nothing to do with an option which preaches belonging to a territory and system which they have managed to get along with but which they cannot make into either their homeland or culture. The PQ found the Quebec way of getting out of Canada calmly. Obviously, the PLQ has not yet found a way to remain in it on the best of terms.

Claude Ryan should therefore once again find the Quebec accents of a liberal constitutional reform if he wants to halt the shift in opinion which in recent weeks has seemed to favor the positive response to the referendary question. But he will also have to put into the campaign speakers other than the old blood he inherited from the old Liberal Party. He may also have to remain at a distance from the old owners of the club, those foreign economic interests whose control over the PLQ Kevin Drummond denounced again this week. In short, the new Liberal leader will have to keep his moral speech for the elections, where he will undoubtedly create a furor, and return to the more fundamental political debate that now interests Quebecers.

Now that the third period is soon to begin and the "No" camp is revising its strategy, the Liberal Party is in the grip of an increasingly clear difficulty: Some Quebecers, whether indecisive or even federalistic, are willing to cast a "tactical" yes vote in order to put more pressure on the rest of Canada. Ryan would rather they vote "in keeping with their conscience" and claims that a no victory will not bring about a first-class burial of the historical claims of Quebecers and the French minorities in Canada. On this point, no one can make prophecies.

What is more certain, however, is that politics is first of all not a matter of conscience but of interests and a ratio of forces. After the referendum, if the "No" should win and unless the "Yes" is very near to a majority, it is not their conscience that is going to urge on the supporters of the "No" vote and encourage them to vigorously undertake constitutional changes, but their interests. Now then, many of the social and economic forces that support the Liberal Party in the referendary campaign now beginning are much more inclined to conservatism than to any wide-ranging changes. These forces were ready to follow Claude Ryan to defeat Rene Levesque, but once their objective is attained, they would have no scruples about slowing down or substantially altering the reformist bent of the new liberal leader.

In this regard, the conservatism of English-speaking Canada is less to be feared than that on which, in Quebec itself, the Liberal Party is based. The former will sooner or later negotiate with a resolute Quebec, but the latter is in a position to undermine the movement leading Quebec.

#### After First Phase of Debate

Montreal LA PRESSE in French 22 Mar 80 p A6

[Editorial by Marcel Adam]

[Text] The debate on the referendum came to a close in the National Assembly and the question that will soon be submitted to the people was adopted following a slight modification proposed by the former head of the National Union.

It is in fact a question of an amendment having to do with form rather than substance, one whose purpose is to bring impatient federalists to respond "Yes" after having been given an additional guarantee that no political change will be made before a second referendum.

As for the essential matter at hand, the question remains intact. This was foreseeable because the government was quite determined not to modify a question which is to serve a strategy aimed, not at determining the real feelings of the population concerning the sovereignty of Quebec and federalism, but rather, at bringing together under the "Yes" umbrella all Quebecers wishing a constitutional change, even if they are supporters of independence, sovereignty-association or renewed federalism. There is also the ulterior motive of regaining power on the thrust of a referendary victory.

One must not blame a government which has a taste for conserving power in order better to serve its cause -- even if it has to dilute it in order to succeed -- but one must not be its dupe either.

However, one has to deplore the fact that this referendum, which constitutes an unprecedented historic event in our country, has not led to a consensus



of the members of Parliament on the question in order that the response might be as clear as possible and not result in diverse interpretations, not only by an overhearing Canada, but by the Quebecers themselves, for a question that was divided the National Assembly and the people can only weaken the scope of the response given to it.

The government did the protest that the opponents announced ahead of time that they would do "no" to any question, in order to justify its decision to make a unilateral decision on the winning of the one it had adopted. In this respect, we must recall that it was the government itself which asked the people to answer "Yes" long before it had ever determined the issue. In all things, it was asking the people to say "Yes," first of all to the political program and next to its "white book," both of which affirm sovereignty association but announce a different sovereigntist program while waiting to learn the gist of a question which was itself to reveal a process in phases different from those described in the two documents.

Since the government has continually maintained that this referendum was intended to be the first consultation of Quebecers on their political future, it was completely normal for opponents to demand that this noble undertaking be less a "Yes" for "Yes" votes than an opportunity to learn once and for all the state of opinion on the "Yes" option and the federalist option. But the government refused.

Having said this much on the matter, the debate preceding the vote on the question also calls for comment.

Those who have followed it on the spot or on television will undoubtedly agree with me in recognizing that it was both an impassioned and dignified debate, but one that tested the mind and weakened the spirit of those -- and they are legion -- who possess normal national feelings and not an all-powerful nationalist passion.

There was, in the remarkably well-prepared speeches of the ministerial deputies, an appeal to sentiment based on the past suffering of our people, their current difficulties, but also their successes, which permit the greatest hope, something that at one and the same time exalted and troubled the soul.

During the debate, the supporters of the "No" vote found themselves in a paradoxical position: Facing fellow countrymen sharing the same origins, the same history, the same aspirations and the same attachment to Quebec, they had a difficult time containing the emotional outbursts of the "Yes" faction, reestablishing certain facts, placing things in their true perspective and appearing just as vibrant and convincing even when they succeeded, with difficulty, in overcoming their discomfort confronting opponents who made them look unnatural.

I confess that the spectacle aroused in me a strange feeling causing me to be apprehensive about the deep divisions that could result from the debate that will follow among the public, for it will be much harsher in an arena where parliamentary rules have no more sway.

The possibility looms all the larger because the PQ camp is playing on national feelings to an excessive extent and the federalist camp seems poorly prepared to defend its option effectively, especially since it has already allowed the other side get ahead of it.

#### Division of Quebec Confirmed

Quebec LE SOLEIL in French 22 Mar 80 p A6

[Article by Marcel Papin]

[Text] The National Assembly of Quebec has just concluded a debate that put the entire province on the alert because of the seriousness of what was at stake. Beyond the rhetoric, the appeals to patriotism and the pleas on behalf of federalism, it was their preference for Quebec or Canada that the deputies were expressing.

Even if certain futilely accusatory remarks tarnished the quality of the debate on both sides, on the whole, the deputies conducted themselves in a manner of which they may be proud. Despite the civility of the reports and the nobility of the subject, a deep division quickly became apparent, a division that will mark politics in Quebec for a long time to come.

For the deputies, it is the very fate of the French-speakers that is at stake, their right to a richer and more responsible future, their accession to complete control over their destiny. Refusing to back the ministerial move means trampling 200 years of efforts underfoot, capitulating before the threats of English-speaking Canada, aiding the adversary, "checking the forces of evolution," as Prime Minister Levesque concluded in his final speech.

For the adversaries of the government, these veiled accusations of cowardliness are wounding, unjust and degrading. The supporters of the "No" were profoundly embittered because of the doubt cast on their patriotism and the trust they had in Quebec and the French-speakers. On the other hand, they constantly accused the government of dishonesty, hypocrisy, concealing the truth, attributing the most vile intentions to it and depicting it as an expert in deceit, which naturally gave rise to vigorous and sometimes devastating replies.

Because the debate basically had to do with the best way of being a good patriot, it was inevitable that intolerance would creep into the discussion and become a weapon that neither side was above using. Accusing liberals of selling out the interests of the Quebecers is certainly exaggerated.

Replying by evoking the PQ viper and accusing the ministerial deputies of trying to cheat by the country, murdering history and deceiving the Quebecers is scarcely better.

The race has been set. This dialog of the deaf, in which both groups choose only those arguments that serve their objectives, will continue for months and years, while the answers to the real questions remain unfound.

The question that was finally adopted is shrewd in the sense that it is limited to one move. It will enable the Quebecers to indicate in what direction they wish to orient their efforts, the prime minister noted, without thereby getting to the crux of the controversy for once and for all. But the question and the debate itself remain mute on the means to achieve the objective of sovereignty-association. With whom will they be negotiating? What means of pressure will be used to force those who reject it into a dialog? How can one force English-speaking Canada to set itself up as a homogeneous bloc in order to negotiate on behalf of the nation against the other nation? What becomes of the role of the federal deputation in this scenario? These are all questions that both camps have carefully avoided exploring in depth, for obvious reasons: It is not known how the other phases of the process will be conducted.

This long debate also brought out the disagreement that will not fail to arise during the vote. If the "Yes" votes win, what exactly will it mean? Jean is already saying that he will not pay any attention to such a thing, since it will have no meaning. Levesque maintains that the Quebecers will have clearly affirmed their intention of initiating a profound change in political status. But all in the same breath, the prime minister states that the gesture would not imply any break with Canada!

On the other hand, if the "No" side wins, only one thing will be evident for Quebecers and the other Canadians: The PQ proposal will have been rejected but the Ryan solution will not have been automatically endorsed. Trudeau, for example, will be able to claim quite rightly that the Quebecers prefer to rally to the federal reform proposals and he will be justified in thinking so because he has just gathered 73 deputies in Quebec.

This ambivalence concerning the meaning of the referendum is to a great extent due to the very wording of the question, which allows for contradictory interpretations. Since the government party brought in the force of the number in its favor, the other option was automatically devaluated.

This is only the first step in a war that will become merciless as the date of the vote approaches. One can only hope that despite a question whose very form is in dispute, this fundamental debate will lead to something other than a fraternal rift of which Mrs Chaput-Rolland warned in her last speech.

The danger of a deep and lasting division hangs over Quebec. It is up to the politicians to avoid this pitfall. True patriotism begins with respect for the truth. Historians would be hard pressed to explain how partisan machines could have spoiled such a fundamental discussion, if demagoguery and political calculations win out over the public interest.

## EFFECT OF FEDERAL LIBERALS ON QUEBEC REFERENDUM NOTED

## Role of Liberals Examined

Montreal LE DEVOIR in French 29 Mar 80 p 14

[Article by Jean-Claude Leclerc: "Invasion of the Federals"]

[Text] Of all the unknown factors in the referendum campaign in Quebec, the most important one and the one causing the most apprehension -- aside from the always possible crises orchestrated behind the scenes -- remains, without a doubt, the entry on the scene of the federal liberals and the government they control in Ottawa. Despite the strictly Quebec rules of play which the National Assembly set up, despite the restraint which the other provinces have learned to observe, one can foresee that the federal liberals, those in Quebec, at any rate, are also going to enter the campaign, the only question in their case being whether they will do so behind Claude Ryan or with Pierre Trudeau. At least for the time being, they have, like the conservatives, given up the idea of wielding a federal referendum. But more than ever, they have the feeling of being the front-ranking federalist force in Quebec and they intend to let people know it at both the right and the wrong time.

The paradox of this imminent invasion is that one does not know whether it is more apprehended by Claude Ryan's liberals or Rene Levesque's PQ [Quebec Party] members.

After having bet on the "arrogance" of the old Trudeau government and then having been converted to the advantage of an "English" government in Ottawa, the leaders of the Quebec Party have finally come to terms with the "new" liberal government in the saddle in Ottawa. Their leader, Rene Levesque, while recommending that the federals govern Canada through the difficult times besetting the country, seems still to be hesitating between the advantages and perils of an invasion of Quebec by the divisions of the Chretiens, Ouellets, Lalondes and other subtle generals of the liberal troops. When one sees the somber countenance and vile mood of the leader of the "No" vote, Claude Ryan, at the mere idea that the "feds" might come to the rescue, one could not doubt that such reinforcements would sow total confusion in the federalist camp and could even make more "nationalist" liberals cross over into the "Yes" camp.

But by virtue of their visible and massive presence, the federal liberals could also, to the great detriment of the PQ, make people feel that all in all, the Quebecers are still by and large in power in Ottawa and that as the latest federal elections prove, "French power" has become, whether the West likes it or not, an irreversible and indestructible structure in federal Canada.

Naturally, this demonstration would at the very least be illogical, coming from a party which, having made a clean sweep of Quebec, claims that on 18 February, it not only received a mandate to govern, but an "unequivocal" support for its federalist option. But the federal liberals will not escape this hour of truth. They will have to learn in turn not to confuse elections with referendums. They will have to recognize that they owe their overwhelming election success less to the support of Quebecers in Canada than to the absence of major opposing parties and perhaps to the still ambiguous Quebec nationalism that they also exploit. "Speak loudly, Quebec!" they demanded on 22 May. Their intervention in the referendum will unfailingly confirm and betray their lasting fear, not that Claude Ryan will lose ground, but that the Quebecers may express themselves about the current federal system with too much freedom.

But independently of these political games and the calculations of the two camps, the main question posed by the entry into action of the Liberal Party in Canada is what the federal government has to do with the legitimacy which, if used by the PQ, would have to be granted to a "No" victory, which would visibly be attributable to an imbalance of the campaign and a bending of the rules of the referendum. There is no doubt that a "Yes" victory would cause a greater rift in Canada and abroad if the Levesque government finally wins over much more numerous and wealthier adversaries. The same could not be said about a "No" victory. If a court should in the future rule that it was proper for the federalists to inject other resources into the campaign, in spite of the Quebec law -- and it is not impossible that such a thing might occur -- it would change nothing about the moral and political effects of the gesture. Therefore, without ceasing to govern in Ottawa, the federal liberals should find a legitimate way to insert themselves into the "No" forces.

In order to do so, they will first of all have to do away with the imperial mentality with which they have come to treat even their allies in Quebec -- all this is not an incorrigible characteristic. Nothing could be worse than the barrage of favors and propaganda that they might be tempted to resume from the heights of Outaouais. Whether the "Yes" vote wins or loses -- and they must democratically accept that either option may be the democratic choice made at the polls -- they will always have time to define and defend what will then be the position of the central government. In the meantime, the liberal ministers and deputies elected in Quebec must commit themselves in an orderly fashion to the ranks of the partisans or, as they say, the supporters of the "Yes" vote. The provisions of Quebec law and mere respect for decency and democracy requires that they keep to the framework now



accepted for the referendum debate and campaign. They do not have to deny it or dominate it. In short, inasmuch as they are Quebec citizens like everyone else, they must not remain aloof on the pretext that they are in government in Ottawa or use their mandate in Parliament and the federal government in order to take unfair advantage in the referendum campaign.

Whatever the case, the PLQ (Liberal Party of Quebec) and its leader, Claude Ryan, despite the recent defeat during the debate on the referendum question, remain the best armed to wage the "No" battle. Naturally, the "belge book" *Did any cause a turn?* has it also show that in 15 months, the liberals in the provinces were able to demonstrate more creativity than their federal kind had in 15 years. Their triumphal march during the seven partial elections is definitely exaggerated, except in Maisonneuve, where they overwhelmed the Quebec Party, but at least their representation in the National Assembly, however small, does not have more barkbenchers and deadwood than the band of the 74 "glorious ones."

If the federal liberal deputies plunge into the campaign, they will soon discover, in encountering the PQ troops, that they are no longer dealing with conservative shadows or "creditist" remnants. Without being invincible, the "Yes" machine will have in the PQ an experienced, motivated and unselfish organization which can in addition choose, if not the terrain of the engagement, then at least the most favorable time. Furthermore, an unusual climate is aiding the Levesque government, even if it was initially behind, because with the approach is taken to the question and the "Yes" campaign, it was able in turn to harness Quebec solidarity: "Speak loudly, Quebec!" Finally, since the voters do not necessarily like the fact that a party elected in one political system should intervene in another, the "feds" may not be welcomed as saviors.

However, there is perhaps one indirect intervention in the Quebec campaign that would be very legitimate for the federal liberals and about which they scarcely seem to be thinking: that of making the federal government function in such a way that the Quebecers would derive, not a few extra pennies, but some pride. But this is perhaps the string a "question" for an old regime, brought back to power by a miracle, to be able to answer, whether it be with a "Yes" or a "No."

Quebec LE SOLEIL in French 28 Mar 80 p A6

[Article by Marcel Proulx: "Grouching in Ottawa"]

[Text] The grouching being done by the federal liberal deputies in Quebec was foreseeable. These ladies and gentlemen are so used to being in power that they have a hard time admitting that a major event can happen in Quebec without their being on the front of the stage.



Following a poll favorable to the "Yes" forces and a subsequent debate in which the ministerial deputies looked better than the liberals, they are impatient to jump into the melee. They are already whispering that their colleagues in Quebec are poor bargainers. Obviously, they are ready to take over.

For his part, Ryan maintains that his group's strategy is sound and that the campaign will move ahead in keeping with the plan outlined above. It is a polite way of telling the federal liberals to mind their own business.

Ryan is right to distrust the liberals. The voters' determination is much more motivated by their enthusiasm to buy René Lévesque than by their desire to support the alternate solution of the provincial liberals. If the Quebecers vote "No" in the referendum, it will solely be because they are convinced that the reform proposal of Claude Ryan has a better chance of being chosen. In order for them to be convinced, the federal liberals will have to endorse it sooner or later, which is far from being the case. As it is, were the last thing on his mind, Pierre Elliott Trudeau has not yet said a single word on the subject since he returned to power.

These kinds of allies can become embarrassing. Furthermore, because of the strictness of Law 97, an anarchic invasion of federal troops in the referendum campaign could lead to legal quarrels, which might shift the debate to the pertinence of the federal invasion rather than the sovereignty-association question. From such a standpoint, it is not certain that the "No" position would come out of the battle strengthened.

But it is mainly the fear of seeing their political group depicted as being in the service of the federal government and the interests of the liberals in Ottawa that incites Ryan's friends to caution. When it is a matter of choosing between liberals and conservatives, the Quebecers support the liberals. But if they have to choose between their government and the one in Ottawa, they are accustomed to backing the former, as Georges-Émile Lapalme learned at his own expense during the reign of Duplessis. Claude Ryan is quite rightly afraid of having to taste the same medicine if he identifies too openly with the interests of Pierre Trudeau.

Moreover, one can understand the impatience of the federal liberal deputies. If the "Yes" side wins, their credibility on the federal scene will be weakened. What is annoying is that they have chosen a poor means of protecting their credibility so far. If they had devoted less time and energy to fighting and denigrating their province and the government in Quebec and invested more efforts in the causes that mobilize Quebecers, they would feel less need of waging verbal battles. Their action speaks for itself.

The federal deputies make a great deal out of the transfer payments paid to Quebecers (unemployment insurance, and so on), but they remain silent about the deterioration of the railroad service, the outdated ports, the absence of public works, the bare portion reserved for Quebec in research and peak

technology, to name but a few sectors in which the nonchalance of Quebec deputies has enabled other provinces to get ahead.

Since construction of the Mirabel airport, there has been no collective effort on the part of federal deputies to stimulate the economic recovery of Quebec. The alienation of Quebecers with regard to the federal government probably has as much to do with the laziness and paranoia of the deputies from Quebec as it does the vices of the system.

Ryan has understood this. He is therefore not anxious to get close to those responsible for the mess.

11,464

CSO: 3100

## QUEBEC'S ABILITY TO HIRE FEDERAL CIVIL SERVANTS QUESTIONED

Montreal LA PRESSE in French 5 Apr 80 p A 6

[Article by Marie-Josée Drouin: "How could a sovereign Quebec handle another 135,000 civil servants?"]

[Text] Quebec Premier René Lévesque last week reassured the people of Quebec about employment in the federal government; if Quebec should achieve sovereignty, the Quebec civil service would offer them jobs. The premier talked in terms of an additional 135,000 jobs.

This promise, to say the least, is paradoxical in view of the assumption expressed by Finance Minister Jacques Parizeau to the effect that considerable amounts of money can be saved, in a sovereign Quebec, if it were possible to eliminate the duplication of services offered by Ottawa and Quebec. How, then, could one absorb an additional 135,000 civil servants while reducing expenditures?

This problem is all the more disquieting since Quebec presently has a deficit of 2.3 billions. Right now, four-fifths of these expenditures are commonly called irreducible expenditures because they involve social welfare payments, civil service salaries, and the more or less essential expenditures of the provincial administration. Adding the cost of all of the additional jobs promised by the premier therefore constitutes cause for serious worry.

To be sure, a sovereign Quebec will have to create new jobs. The opening of embassies and missions abroad, the creation of ministries of foreign affairs and of defense, taking charge of various services presently rendered by the Federal Government--all of these would point to a rapid increase in the number of provincial civil servants. But at what cost?

In an address to the National Assembly, Finance Minister Jacques Parizeau talked about the special case of federal [government] companies. According to Mr Parizeau, Quebec would have to study the future of the 600 federal companies, case by case, with the rest of Canada. Proposing three options, Mr Parizeau raised the possibility that Quebec might simply absorb the

companies or that they might be closed down or that Quebec and the rest of Canada might administer them jointly. Making fun of the opposition, Mr Parizeau defended himself on account of not having drawn up a consolidated operating budget so as not to make use of public funds for partisan purposes. Without preparing a detailed budget, it would nevertheless be desirable for the PQ [Quebec Party] to spell out the general criteria that are to lead to one of the three options advanced by Mr Parizeau. In this way, the people of Quebec would have a better idea of the strategy of negotiations for which the government is asking a mandate from them. Some people might even be able to calculate the approximate cost of this.

Furthermore, Mr Parizeau must explain himself more clearly regarding the question of duplication of functions between Ottawa and Quebec. Of course, there are two ministries of revenues, a federal ministry and a provincial ministry, but each takes care of different activities. The two ministries of health and of welfare are increasingly dividing their functions. Finally, in 1978, Quebec got \$3.6 billion [Canadian] from Ottawa by way of compensation for federal services not provided in Quebec. This was done precisely to compensate for the efforts made over the past 20 years with a view to eliminating the duplication of functions and permitting Quebec to provide for its own services. But it is a very different matter for Quebec to choose to replace Radio-Canada with Radio-Quebec. To go back to the question asked by Liberal Deputy André Raynauld: how would an independent Quebec make up for this amount of \$3.6 billion [Canadian]?

Unfortunately, Mr Parizeau had to get the cue from his colleague Guy Joron and pretend that this sum meant only very little in Quebec's share of the federal debt. In his capacity as Minister of Finance and Chairman of the Council of the Treasury, Mr Parizeau claims to be a specialist in public administration. He should therefore realize that his argument does not hold water. Let us repeat it here. According to the PQ thesis, Ontario would assume 35 percent of the federal debt. Ontario on the other hand--instead of getting more than \$3.6 billion in 1978--contributed an amount of \$320 million.

Moreover, as Mr Raynauld indicated, the tax yield in Quebec is less than the national average and this gap is made up by equalization payments. In 1979-1980, Quebec will get \$1.6 billion. How will a sovereign Quebec collect these sums of money?

How will a sovereign Quebec make up for these amounts while increasing its civil service force by 135,000 people? The Minister of Finance cannot hide behind the easy and simplistic answer about the duplication of functions. First of all, this duplication of functions is limited; second, Quebec has for several years now been compensated not only for this duplication of functions but also for its lack to operate in the black.

In this connection one must ask oneself whether Parizeau's last budget is not the forerunner of what is to happen in the future. Ever since he has been Minister of Finance, Mr Parizeau has emphasized the fact that Quebec's elbow room on budget questions is very slim. Mr Parizeau explained to the civil service union that he was holding his salary offers down in order not to upset the province's finances. But even there, Mr Parizeau admitted that, if he had been better informed and if he had been able better to control the expenditures of the school boards, he would not have been as generous in his negotiations with the teachers. He has just discovered a shortage of \$500 million which makes his leeway even tighter.

Mr Parizeau employed the argument of the tight budget situation in order to postpone the promise of tax indexing for another year. He had introduced similar pretexts to refuse to reduce taxes of high-income individuals. Could it be that Mr Parizeau fallaciously used this argument of the tight leeway? Perhaps on the contrary one should give him the benefit of the doubt.

This being so, can one believe that, quite suddenly, in a sovereign Quebec, the operating leeway would be broader? How? Why? Especially since this operating leeway would have to increase considerably to permit Quebec to absorb those 135,000 civil servants whom the premier has been talking about. Or perhaps Premier Lévesque will withdraw his promises. Or perhaps Mr Parizeau should calculate the cost and leave it up to the people of Quebec to judge whether it is all worth the trouble.

5058

CSO: 3100



## LEVESQUE SEEKS TO REASSURE QUEBEC ENGLISH-SPEAKERS

Montreal LE DEVOIR in French 25 Mar 80 p 8

[Article by Michel Roy: "Living Together in Quebec"]

[Text] In the human and political history of the referendum, the "colloquium of English-speakers" in Montreal was an event of wide-ranging significance that could have a positive effect on the future of Quebec. On that long spring Sunday, speaking before a few hundred English-speaking citizens but also addressing a much wider audience thanks to radio and television, Rene Levesque and six of his ministers made a visible effort to establish a true dialog with a community which circumstances have made distrustful, fearful and hostile. The prime minister and his colleagues naturally did not expect to persuade the English-speakers to vote "yes" on the referendum, nor was that the purpose of the meeting. But the encounter will not have been in vain if the head of the government and the members of his team simply managed to convince Quebecers that they all have the same right to the name, that they are considered full citizens by the government and the PQ [Quebec Party], that their referendary choice will be equally legitimate and respected, and finally, that Quebec wants to build a democratic and fraternal future with them.

Levesque had already made these remarks in the speech marking the opening of the debate on the question in the National Assembly. He returned to them in his latest speech on Thursday, 20 March, with an insistence and a nobility that one would like to see throughout the discussion on the referendum until June. In his Sunday speech that brought together and enriched all previous addresses on the same subject, the prime minister vigorously sought to dissipate the persistent fears of the English-speakers, fears that are still maintained by men and women belonging to his same party. He forcefully emphasized the basic values of democracy, freedom, respect for others, tolerance and the values inherent in his political proposal of sovereignty-association. Not only will the government not accept manifestations of hostility toward non-French-speaking Quebecers, whatever become of the referendum, but it will not hesitate to condemn them. Levesque added that no matter what happens, English-speakers will not be isolated in the Quebec of the future. The referendary campaign offers Quebecers of all origins,

particularly English- and French-speakers, the unique opportunity to demonstrate that they can live together democratically and in the same society.

That it is necessary to make and repeat this speech to English-speaking Quebecers shows the depth of the malaise that must be dissipated. The first reactions expressed in English-speaking circles indicate that the colloquium helped to relax tension, encourage a clearer debate and eliminate part of the misunderstandings poisoning the atmosphere. It is likely that the government, the Quebec Party, the Foundation for "Yes" and the English-speaking Committee for Sovereignty-Association (CASA) were also trying to derive every possible advantage from that day of study. At any rate, they certainly had nothing to lose. The opposition will not fail to reproach them for it, just as it will emphasize that over one-third, even one-half of the participants in the room were already won over to the PQ option. But none of this is of any importance compared with the fruits which Quebec society could eventually harvest from such an undertaking of rapprochement, explanation, penetration and dialog. Without underestimating the political nature of this Sunday meeting, Quebecers of all factions must be satisfied with the action accomplished by Levesque and his team. It fits into a perspective of humanism and civilization. One could find the confirmation in any other analogous initiative which the prime minister or his party could still undertake in the same circles before the June vote. When Levesque, in a speech such as the one he gave Sunday, manifests such an advanced sense of democracy and liberalism, citizens do not have the right to attribute to his government unspeakable motives evoking a dangerous ethnocentricity.

If he was right to reassure them and propose to them, after the referendum, a society that would respect freedoms and minorities, Levesque was not wrong in warning our English-speaking compatriots against a tendency to dramatize the imaginary dangers which the adversary sometimes arouses in the battle at hand. We know how passionately the prime minister and his colleagues denounce those who "sow fear" by waiving the spectre of an abandoned, degraded, impoverished society. While it is true that the PQ must respect the choice of the English-speakers -- which Levesque recognizes and admits will tend toward the "No" -- one cannot, on the other hand, expect the partisans of sovereignty to congratulate their English-speaking adversaries. This is indeed a political fight and the minority must avoid cultivating a feeling of persecution every time that Levesque's party condemns the federal system.

While Quebec is soon to embark upon another phase in the referendary campaign, it would nevertheless be more useful for citizens as a whole -- both French- and English-speaking -- if the PQ members or the government spokesmen would no longer condemn, in general terms and anonymously, adversaries which, according to the accusers, are spreading terror among the elderly and the unemployed by announcing the disappearance of pensions and unemployment benefits in a sovereign Quebec. For while it is true that supporters of the federal system hint of the loss of property, a massive exodus and a capital drain, if there should be a change in system, it is up to the Quebec Party and its members to quote facts, places, dates and names. It

is not enough to say, as Levesque stated on Sunday, that it cannot fight these accusations because they are on the level of tavern gossip.

The prime minister and his colleagues showed on Sunday that it is possible to prepare for the postreferendum period starting now, possible to attenuate the fear and trauma that a "Yes" or a "No" will arouse among various groups, possible to reassure the supporters of both options about the future of Quebec. For without regard to the language question, the divisions which one can already perceive in society risk becoming deeper wounds.

11,464

CSO: 3100

# PROPOSED QUEBEC BUDGET CRITICIZED

## Tax Relief Called Illusory

Montreal: LA PRESSE in French 27 Mar 80 p A6

[Editorial by Jean-Paul Gagnon: "A Referendary Budget"]

[Text] The budget presented last evening by Jacques Parizeau is in keeping with the line of budgetary and administrative policies to which the minister of finance had accustomed us, but it is not marked by the conservation characteristic of his preceding budgets.

First, the emphasis has been placed on control of government spending, particular - by limiting to 5 percent the maximum increase in spending that is not for wages, transfers or new programs, and on the reorganization of financial management, as demonstrated by the reordering of the system of administering elementary and secondary education, where a \$500-million deficit has just been discovered. Of that sum, \$100 million will be absorbed by future budgets of the Ministry of Education and \$210 million will be covered by the 1990-1991 general budget.

Moreover, anxious to reduce the regressive impact of sales taxes on the budget of all consumers, both large and small, the minister abolished the retail tax on furniture and textiles. This is an excellent measure following abolition of the tax on clothing and shoes. Let us hope he will do the same next year for stoves and refrigerators.

Without changing anything in the income tax scale affecting individuals, the most progressive tax in Canada, Parizeau nevertheless announced the indexing of personal exemptions at a rate of 7.5 percent starting in January and a reduction of 3 percent in the individual income tax rate beginning 1 July.

These "gifts" will assuredly be a boon to Quebec's taxpayers, who are still the hardest hit in Canada. Nevertheless, this relief and an increase of 12 percent were made at the price of a very large deficit in budgetary operations: \$1.7 billion. Parizeau justified it by saying that Quebec's

economy growth would be affected by the slowdown in America's activity and by what he sees as Ottawa's new determination to reduce the federal government's deficit.

Actually, there is some illusion about the Quebec Government's ability to stimulate economic growth. Quebec's economy is in fact very open and a very large share of the fiscal relief measures will fatten the sales of foreign companies. For example, if taxpayers use their additional gains to buy imported products, they will not help to get Quebec's economy back on its feet. If, on the contrary, they use these measures to buy Quebec products and services or to invest in Quebec institutions, they will contribute to Quebec's economic growth. Along with the government's will to stimulate growth, there must be a determination on the part of the citizens of the province to evaluate the impact on the Quebec economy of several of their daily decisions. It would have been preferable to invest more in programs leading to an increased restructuration of the economy.

This deficit was consequently accepted, to a great extent, because the referendum is approaching and because it is probably the last budget before the next general election in Quebec. Parizeau was more conservative in previous budgets and criticized the Bourassa government for unrestrained management. Following this budget, the long-term debt of the Quebec Government will continue to grow, reaching 14.9 percent of the gross national product of Quebec. On the other hand, to be fair to the government, one must recognize that the gross sums which Quebec's public sector has borrowed, in terms of the gross national product, have steadily dropped since 1976, going from nearly 12 percent to 7 percent in 1979. However, this trend may be modified in 1980.

Despite this departure from the rule of conduct followed by the minister of finance in his previous budgets, the minister did resist the temptation to introduce a series of enticing little measures, as some had expected, for the purpose of winning over the broadest possible support on the eve of the referendum.

He did not hesitate to increase the sales tax on cigarettes and tobacco and announced a substantial modification in figuring the provincial sales tax on fuel, which will help to guarantee the Quebec Government additional funds every time the federal government decrees an increase in the price of oil. The Quebec sales tax will henceforth be 20 percent of the retail gas price, which means that it will become increasingly burdensome for automobile drivers and users of all kinds of transport: buses, taxis, trucks, and so on.

For the government of Quebec, it is an easy way to profit directly and without effort from the spectacular oil price increases ahead, while leaving to Ottawa the odious task of raising the prices.



## Finance Minister Presents Budget

Quebec: LE SOLEIL in French 26 Mar 80 p A6

[Article by Ivan Guay: "A Shrewd But Scarcely Expansionistic Budget"]

[Text] On Tuesday evening, Jacques Parizeau, minister of finance of Quebec, presented his fourth budget to the National Assembly. The budget provides for revenue of \$14.8 billion and expenditures of \$17.1 billion, a deficit of \$2.3 billion. We must recognize that all of these totals (revenue, spending, deficit) are records for Quebec, but that is not what interests most taxpayers. The government's budget is in fact the subject of the most individualistic and egocentric reaction that has ever been seen. Taxpayers are interested solely in the immediate effects which the budget will have on their income.

No minister of finance is insensitive to this political fact. Parizeau consequently made a 3-percent reduction in the individual income tax effective 1 July, which naturally is equal to a reduction of only 1.5 percent for this year. It is obviously a very small sum, amounting to \$16 for a married person with an average income (\$15,000 a year). It is a nominal reduction that will be nullified by inflation, therefore being of little help to any citizen, much less a great stimulus for the economy.

On the other hand, the indexing of personal exemptions will be 7.5 percent for 1980. For a married person with an average income, that will amount to a savings of some \$276. It is a much more substantial sum, even if it will not be recovered until the following year, when inflation will have eaten it away. This indexing of the individual income tax -- long promised but beginning only partially this year -- is a positive aspect of the Parizeau budget.

One must emphasize another positive aspect of the budget, which is the elimination of the sales tax on furniture, textiles and clothing, which were not affected by the previous abolition of the tax. Another very interesting tax relief measure that may especially touch the agricultural class is the deduction which a spouse may make on the report he makes of a wage paid, in principle or in fact, to the other partner as an employee in the enterprise. This tax relief measure is all the more worthy of mention because the PQ government was to accompany its agricultural zoning with concrete measures likely to stimulate interest in agriculture and consequently, agricultural production. Such a tax measure had long been necessary and from this standpoint, the minister of finance is to be congratulated for having adopted it.

In his fourth budget, Parizeau continued his reform of the management of public finances, unveiling an incredible and scandalous deficit of \$500 million in the financing of school commissions. This "hole" of \$500 million was not dug by an atomic bomb, but by the laxity of mechanisms for overseeing school finances. It is a very costly illustration of the ineffectiveness of the government bureaucracy. The citizens who favor the "state-providence" would do well to remember this. It is nevertheless ironic that it is a

so-called social democratic government that is demonstrating the ineffectiveness of the state's tentacular administrations. We must be grateful for this to Minister Parizeau.

In his description of the economic situation, Parizeau foresees a recession which in his eyes justifies an expansionistic budget not as conservative as his three preceding budgets. But what is above all expansionistic in his latest budget is the deficit! Unfortunately, the deficit creates no jobs. The some \$700 million by which this deficit exceeds last year's will in fact be nearly swallowed up in the school "hole." Furthermore, the budget contains an insidious measure that to a great extent will nullify the modest increase in purchasing power created by the few tax relief measures previously mentioned. It is the gas tax.

Parizeau replaced the 4-cent tax on a liter of gasoline with the 20-percent tax on the retail sales price. Since a barrel of oil will inevitably be higher in order to make the oil from the bituminous sand and the Great North more profitable, this new tax will rise considerably and will make the price of gas in Quebec comparatively more costly than elsewhere. For all useful purposes, it is a surtax on a product that has become essential in modern life. Since Quebecers are the largest consumers of oil in the world, all that Parizeau gave to the taxpayers with one hand, he will take away with the other through the gasoline surtax. But all of this is disguised as Quebec's right to "have its share of the pie." This nationalist sophism will overtax Quebecers and make the federal government to blame. It is what one might call economic Machiavellianism.

11,404

CSO: 3100

## KUWAIT SUGGESTS JOINT VENTURES DURING ENERGY MINISTER'S VISIT

LD270947 Copenhagen BERLINGSKE TIDENDE (in Danish 15 Apr 80 Part 1, p 2

[Report by Peter Kjølstrup: "Kuwait Wants To Help Danish Oil and Natural Gas Company To Find Oil in the North Sea"]

[Text] Kuwait--Shortly before his departure from the United Arab Emirates, Energy Minister Poul Nielson received not only an impressive gold dagger, but also a personal greeting from Saudi Arabia's Shaykh Yamani, delivered through Abu Dhabi's oil minister Dr. Mami' al-Utaybah. This means that Poul Nielson's visit to the Emirates has produced positive promises of oil talks and perhaps all the contact with Saudi Arabia which the Energy Ministry and the state-owned Danish Oil and Natural Gas Company (DONG) have waited for for so long.

The dagger was presented during a visit to Al-Utaybah's palace shortly before Nielson's departure by plane, and afterwards the minister and his party were driven direct to the plane waiting to take him to Kuwait. On his arrival here on Sunday evening Poul Nielson had talks with his opposite number Shaykh 'Ali with the intention of buying oil from Kuwait too. After the talks with the Kuwaiti oilmen, Poul Nielson said that Kuwait offered a broad range of possibilities. The country is no longer only interested in selling crude oil, but also various refined products, at the same time as it wants to extend cooperation in trade in general. Thus Kuwait's energy minister suggests that Kuwait and the Danish state company, DONG, combine to search for oil in those areas, which in time will be surrendered by Dansk Undergrounds Consortium.

"It is at present only an idea put forward by Kuwait," Poul Nielson said. "But it shows in how many fields Kuwait is interested in cooperation."

Finally, on Kuwait's initiative there have been meetings with Danish officials and embassy staff at the Ministry of Trade, for Kuwait is interested in broadening cooperation here too. The discussions concerned in what areas there is scope for increased Danish exports, and it is Poul Nielson's view, that openings have been made, both in Kuwait and in the two other countries included in the oil tour, for increased Danish exports. "I can say in all conscience that what we have done has not been without result," Poul Nielson said. "We have paid our visits to all

three places at the right time, for the Gulf States want to start a dialogue right now with Europe. It is, of course, a great advantage here, that we are a small country with a good reputation, and that all three have cooperated with us in the past."

The question is whether there will be cooperation regarding the Danish oil concessions. Kuwait's oilmen asked about the terms of these, and, according to Paul Nielsen, expressed their amazement at how advantageous they were to Dansk Undergrunds Consortium. They compared them to the concessions here in 1930, and they, if anyone, are experts on these matters.

The Danish delegation's arrival in Kuwait, closely following on Kuwait's radical decision to reorganize its oil deliveries, is remarkably lucky. Larger countries and giant oil companies are lining up to start talks. Tomorrow, for instance, no less than three African heads of state begin visits to find out immediately the possibility of securing especially favorable prices for oil and other forms of overseas aid.

CSO: 0106

# ELECTION CAMPAIGN OPENS IN NORTH RHINE-WESTPHALIA

Frankfurt FRANKFURTER ALLGEMEINE in German 14 Apr 80 pp 1,2

[Article by L.B. datelined Essen, 13 April: "Election Campaign in North Rhine-Westphalia Opens With Polemics -- Coalition Wants Anti-Strauss Election/Biedenkopf Confident/ Land Indebtedness"]

[Text] This weekend the parties opened the election campaign in North Rhine-Westphalia with vigorous attacks on one another at large rallies in Essen and Dusseldorf. On this occasion it became clear that the coalition would like to turn this final Landtag election before the fall decision on the Bundestag into a plebiscite against the Union candidate for the chancellorship, Strauss. The opposition, on the other hand, wants to conduct a campaign supported by Strauss but not controlled by him, one concerned with issues of Land policy and aimed at replacing Rau's government in Dusseldorf. The attacks by the SPD and FDP were directed chiefly against Strauss, who was characterized by Genscher and Jochen, Rau and Kirch, as indecisive and unpredictable and by Schmidt as "a danger to us all." For its part, the CDU charged that in their 14 years in power the SPD and FDP had, "with an unparalleled debt policy, mismanaged" North Rhine-Westphalia "to such a degree" that it no longer has a voice in the Federal Republic.

While there were no disruptions during the SPD and FDP rallies on Saturday in Essen and Dusseldorf, several police units were summoned as usual to the CDU rally in Essen attended by its candidate for the chancellorship, Strauss.

The speeches by the top politicians and the start of Land-wide poster advertising demonstrated that SPD and CDU have differing plans in mind. The CDU is primarily soliciting support for their candidate for minister-president, Koeppler, who is ill. He, together with Biedenkopf, is being depicted as a guarantee of better government. In addition to the Land's debt level, the CDU issues are the coalition's school and energy policies as well as protection of the civil service from enemies of the constitution. For its part, the SPD is calling for an election against Strauss;



It is depicting its government chief, Rau, as an indispensable helpmeet for Chancellor Schmidt. According to the SPD, a change of administration in Duesseldorf would mean the loss of ability to govern in Bonn. Consequently, for the time being the SPD slogan simply says "Go to the Polls"; at the beginning of May it is to merge into the appeal to "Vote Strauss out." The FDP is countering the CDU slogan, "Double the Energy for North Rhine-Westphalia," with "Courage for Responsibility and for Freedom." It is affirming loyalty to its alliance with the SPD and is similarly planning to wage a campaign chiefly against Strauss and his designated "stand-in," Biedenkopf. The FDP does not intend to sponsor an anti-Strauss poster campaign, however.

On Saturday in Duesseldorf's Brugg Auditorium, filled beyond capacity with more than 10,000 SPD supporters, Schmidt, Brandt and Rau repeatedly drew especially heavy applause whenever they attacked Strauss. The scene was similar on Sunday in the same hall when almost equal numbers of CDU supporters applauded the attacks by Biedenkopf, Kohl and Strauss on Schmidt and Rau as well as the Bonn and Duesseldorf coalitions. The FDP had assembled on Saturday in Duesseldorf for a "family gathering of liberals." On this occasion Genscher, Laubedorff, Hirsch and Frau Funcke called for an aggressive election campaign to either "break up" or prevent "power cartels" on the part of the SPD and CDU. In this regard the FDP will be opposing "the old power clique of the SPD and trade unions" just as much as the "new power clique of the CDU and pastorals."

In Bonn, Schmidt depicted Strauss as an indecisive politician who waffles on foreign and defense policies and did not even decide for himself on his candidacy for the office of chancellor. "But when Strauss has his back to the wall, and suddenly his totally uncontrolled temper runs away with him, then he becomes a danger to us all," said Schmidt. Bonn must, however, be predictable also for "our neighbors to the east" in terms of an absolute desire for peace. He noted that Strauss was playing the cool statesman while defense policymakers like Drogger and Woerner were being allowed to talk "brainless nonsense."

Brandt said that a CDU victory in Duesseldorf would lead to a situation in the Bundesrat wherein the two-thirds majority held by the CDU/CSU would cause the formation of a collateral government with a collateral chancellor Strauss. This would block Schmidt's and Genscher's capacity to act. "Germany cannot afford Strauss in place of Schmidt," said Brandt. Strauss, he remarked, is "a lone Bavarian sonaback" who affects to be more astute than the FRG government and the entire Western world.

The other politicians responded to the coalition's attacks with equal acrimony. Kohl spoke of a "discouraging negative balance of an ideologically blind and questionable economic and finance policy" on the part of the government. He noted that the rate of inflation is approaching 6 percent, interest rates on credit are getting higher and higher, and no end is in sight for unemployment. The 1969 national debt of DM 45 billion has

grown to the present sum of DM 225 billion. Kohl deplored an increasing distance between America and Europe for which he blamed Schmidt. He said there was talk in America of a "Soviet faction in the SPD."

Biedenkopf expressed confidence with respect to the elections in North Rhine-Westphalia. He said the CDU has the strength to win because its cause is a better one; the issue is new political leadership for the land. He observed that Koeppler's abilities, his integrity and his loyalty were undisputed. Biedenkopf said for the first time that he himself would continue to figure "in Land politics" regardless of the outcome of the election. This signifies that he is meanwhile prepared to assume leadership of the opposition in Duesseldorf in the event of defeat.

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## ELECTION STRATEGIES IN NORTH RHINE-WESTPHALIA ANALYZED

Frankfurt FRANKFURTER ALLGEMEINE in German 15 Apr 80 p 5

[Article by Lothar Beyerunge: "'Between War and Capitulation' -- Pensive-ness in Duesseldorf"]

[Text] Somber images have taken shape over night in the struggle by the parties for the 201 seats in the North Rhine-Westphalian Landtag that are to be assigned for another 5 years on 11 May. Although the supporters of SPD and CDU paid the normal thunderous tributes to their federal and local satraps at the opening rallies in the Ruhr district, many of them returned home in a pensive mood after the rhetorical smoke had cleared. The chance for, whom the SPD calls its "peace chancellor," is suddenly talking about Sarajevo and the outbreak of World War I into which Europe stumbled. In the past few weeks he has perceived the smoldering of new threats of war and is depicting them as though the citizen could avert them merely with his ballot. Candidate Strauss, says Schmidt, is similarly "a danger to us all," and Johannes Rau is blending all this into a poster theme that says Strauss must be "voted out" first in North Rhine-Westphalia. Strauss is paying them back in the same coin. He maintains that Schmidt's policies are driving the FRG and Europe toward "the tragic alternative of war or total capitulation." It is for this reason, says Strauss, that Schmidt and the SPD have become the real risk to security -- a label which the SPD has been applying to Strauss for years.

The Landtag election campaign has thus already strayed far from the issue-oriented platforms with which the parties began. Biedenkopf, who in the opinion of his party is representing the ill Koeppler in an outstanding fashion, is indeed stubbornly trying to keep Land issues in the debate: debts, the uniform school, energy policy and the decline of leadership in the Rau cabinet. Rau's reactions indicate that these arrows are hitting the target. The government simply cannot gainsay its debt policy, which will even be accelerated in the years ahead with the Ruhr district program costing DM 7 billion. Rau defends himself with the frivolous thesis that today's debts are tomorrow's taxable capacities. Biedenkopf, in turn, takes this as proof of his charge of a policy that is no longer responsible.

## Koeppler's Illness Not To Be Capitalized On

The problem for the CDU is whether its attempt to conduct an election campaign solely on Land policy issues will succeed. The SPD plans to organize a plebiscite against Strauss. A prerequisite for this would be the ability to push participation in the election up to 90 percent, because the SPD would then be mobilizing all the reserves that the CDU is lacking right in the Ruhr district. It is from this standpoint that the SPD slogan, "Go to the Polls," -- one which seemingly forgoes any campaigning on its own behalf -- assumes tactically calculated importance. Normal participation in Landtag elections in North Rhine-Westphalia is 75 percent. To be sure, this has not been the case for the past 10 years because both of the last two elections to the Landtag have also been coupled with local elections as a result of constant regional reforms. Now, in May 1980, the Land parliamentary election is being held by itself again for the first time in a decade.

It is part of the SPD election campaign plan to depict Koeppler and Biedenkopf as stand-ins for Strauss. The coalition is in a difficult situation at present with Koeppler because fairness demands that a recuperating patient be treated with consideration. The CDU politician's heart attack was initially as much of a worry to the SPD as it was to the CDU. This can be deduced from Rau's warning to the Union not "to capitalize politically on this seriously ill man" while he is incapacitated. Biedenkopf has just authoritatively countered the rumors that inevitably develop in such situations: Either Koeppler will head the government his third time around, or the party will have a new leader of the opposition in North Rhine-Westphalia.

In any event, the "stand-in theory" with which the coalition is seeking to disparage Koeppler and Biedenkopf has boomeranged. Since Rau has been declaring day in and day out that his position is not so important because the issue in North Rhine-Westphalia is Schmidt's capacity to govern, and since Hirsch and Frau Funcke have been using similar terms to describe their functional roles vis-a-vis Genscher and Graf Lambsdorff, Biedenkopf is even collecting points. As far as he is concerned, North Rhine-Westphalia has become the hinterland of the Bonn coalition -- a "blockade cartel" which threatens to destroy the citizens' pride in their own Land.

One thing became quite clear over the weekend. The somber images of the threat of war, the pessimism, the playing on the fear of the people -- this time these things are mainly the work of Schmidt and the SPD. Strauss and the threat of war are supposed to become synonymous, and this is also why the Union's sharp-eared candidate has threatened to stop calling the chancellor a technocrat and start calling him a slanderer. One is permitted the speculation that the referees who have to monitor the fairness agreement between the opposing parties will soon have their work cut out for them.

## ANTI-INFLATION FIGHT MAY SHAKE GOVERNMENT COALITION

Helsinki HELSINGIN SANOMAT in Finnish 13 Apr 80 p 9

[Article by Janne Virkkunen: "Fight Against Inflation Shakes Government"]

[Text] The government is quickly headed for a new internal crisis, in which the seriously fragmented ruling harmony and the confidence achieved between the ruling parties before Easter will be reevaluated.

Even though the center-left government of Prime Minister Mauno Koivisto, which has been in power for little less than a year, achieved a unanimous opinion on a very difficult agricultural decision and was also able to make a secret decision regarding the foreign currency exchange rate, under a seemingly peaceful surface there lies the seeds of a crisis which could dissolve the government.

The desire for harmony and the well-publicized degree of political will will be measured when the ministers come to the negotiating table to reach an agreement on preventing inflation, the guidelines for next year's budget, and tax policy as well as funding for pension reform.

The inducement for the government to act is the fact that it is losing control of economic development, the rate of inflation is accelerating, and no one is no longer seriously talking about an inflation rate of 10 percent. Predictions are beginning to approach the 15-percent level.

The rate of increase in prices has already doubled within a year. The so-called general line of the labor markets is by no means 9.5 percent, but at least 12 percent and on top of this there will still be the wage slides of heavy industry.

The housing markets have heated up. Prices have increased perceptibly in populated areas within a year's period, especially in the vicinity of the capital city. Between April 1979 and April 1980 the construction expenditure index increased 13 percent.



The overheating of the housing industry is also endangered by the fact that export and import prices continue to rise.

### **Recessionary Development Threatens to Return**

Economic experts have begun to talk more and more about how the situation created by rapid economic growth and accelerating inflation is reminiscent of the mid-1970's when economic development went completely out of control and resulted in a recession that lasted many years.

In addition to talk about inflation prevention, the government has not yet done anything about applying the brakes to the current trend of development. The Bank of Finland has urged commercial banks to restrict loans and in addition to this, the bank revalued the markka by 2 percent just prior to the agricultural solution.

Since the solution did not include the currency pipeline demanded by the leftists and the revaluation was only 2 percent, a large gap between the left and the center was left from the bank's decision.

The government has already discussed possibilities for fighting inflation in a couple different sessions, but the matter has always remained at the discussion stage. The next time that inflation will be brought up for discussion will be at next Friday's meeting of the ministerial committee on economic policy. The Diet's banking committee members will also assemble on the same day.

It is doubtful that the Koivisto government will be able to accomplish any quick solutions even though proposals are forthcoming from the Finance Ministry. Therefore, the views of the ruling parties differ greatly from each other.

Prime Minister Koivisto has talked in general about the restriction of financial policy and the reduction of investments. Finance Minister Ahti Pekkala (Center Party) has for his part proposed that demand inflation be restrained by increasing state income. According to Pekkala there is reason to reduce the deficit of the state economy so that the means would be left for restorative actions in the next budgetary period.

State income has increased this year since the continued strong economic growth is providing more revenue for the state than what was estimated in the budget. In addition, inflation adds more money to the state account.

This is a result of the fact that only a 7.5-percent inflationary adjustment was made in the tax tables this year while the actual rate of inflation is definitely higher. Thus the tax burden is only aggravated.

In spite of promises the actual value of child subsidies is also decreasing since they will only be increased by 10 percent beginning in October.

## **Center Party Will Not Haggle About Pension Reform**

The government's difficulties are not just limited to fighting inflation and to the general directions of next year's budget. That moment when the minimum pension reform emerges will inevitably approach.

It is expected that there will be some tough arm twisting with respect to the pension reform when the Communists support the Center Party against the Social Democrats.

In connection with this year's budget the government agrees that an agreement will be reached on the funding and the final scheduling of the pension reform by the end of May. The Center Party and the Communists have demanded a more than 2-billion markka pension reform until the end of 1985.

On Saturday Finance Minister Ahti Pekkala predicted in Haapavesi that the pension reform and regional policy will be the next real touchstone of the government.

Center Party Diet Faction Chairman Matti Ruokola chimed in with Pekkala by stating that "We will not approve of any delays in enacting the pension reform in its entirety".

According to Ruokola it is not a question of expenditures since the pension reform can be funded by increasing the national pension payments of employers by an annual rate of 0.25 percent until 1985.

Since the agricultural income solution the Social Democrats have begun to express more and more discontent in the manner in which the Center Party has managed government policy.

According to sources from the innermost circles of the Social Democratic Party government cooperation, which was known to be difficult, has been weaker than what was originally estimated.

Trade and Industry Minister Ulf Sundqvist, who has followed the strictest line of the Social Democratic ministers, stated on Saturday that the SDP (Social Democratic Party) did not enter the government in the hope of great reforms, but to continue a sensible economic policy.

For this reason the Social Democratic attitude toward the government depends decisively on the government's ability to carry out a sensible economic policy, stated Sundqvist at a meeting of the SDP's Etela-Hame District on Saturday.

Sundqvist demanded active economic policy actions on the part of the government and announced that the SDP does not intend to explain policy that is decided "behind our backs".

The Minister of Trade and Industry, announced an economic policy in which a monetary as well as financial policy will be used. When a policy line is restricted in order to restrain inflation, this restriction should extend consistently to all sectors without granting exceptions to some, stated Sundqvist.

The impatience of the Social Democrats with their ruling parties has already reached such a degree that Prime Minister Paavo Koivisto has considered it imperative to discuss the government situation even more extensively with President Jimo Kekkonen. A meeting between them took place last Friday.

Relations between the government's chief parties, the SDP and the Center Party, are not very good at this time. The SDP is accusing the Center Party of the fact that the struggle for the chairmanship in the Center Party has paralyzed the party and is costing the nation vast amounts of money.

The Center Party for its part answers by accusing the SDP of the fact that the Social Democratic-led trade unions have caused damage to foreign trade with their labor struggles and have thus hindered economic development.

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## SYP PREDICTS 5.5 PERCENT ECONOMIC GROWTH FOR 1980

Helsinki: HELSINGIN SANOMAT in Finnish 15 Apr 80 p 29

[Article: "Union Bank Prediction for Current Year, 5.5 Percent Economic Growth"]

[Text] According to the calculations of the Union Bank total production in Finland this year will increase by 5.5 percent. The SYP (Finnish Union Bank) estimate is slightly lower than the estimate of its competitive bank, the National Bank. The NBP (National Shares Bank) predicted a 6-percent economic growth in March.

Bank of Finland Director Ahti Karjalainen has reevaluated recent estimates upward to a growth rate of 6-7 percent. The most recent reports of the SYP remained around last year's estimate of 4.5 percent.

In Union Bank's MONTH publication it states that international disturbances will cast a shadow on our economy.

"In the last couple years Finland's economic development has been comparatively good. However, in recent months it has become clear that the situation is changing and difficulties are increasing," stated SYP researchers.

"The recession which has spread to parts of Europe from the United States will be felt here in exports at the end of this year and in 1981 at the latest. The rising cost of oil is another factor creating uncertainty. Existing price increases have already weakened foreign trade and will cause a substantial deficit in our foreign trade this year," predicts the report.

In the opinion of SYP researchers a third important cause for concern is accelerating inflation, which began last year. "The rising cost of oil is partially responsible for this. In this respect we are in the same position as other oil importing countries. In addition, the wage solutions concluded this spring will also essentially increase the rate of inflation."

The researchers do not believe that there will be as many opportunities for growth in production as there were last year. The recession is spreading

In the main marketing areas of the West and export opportunities are decreasing. However, this decrease will not be felt until next year.

The prediction given in the name of the economic secretariat of the SYT believes that consumer demand will remain nearly as active as last year. Investments will continue to expand and on this basis it is believed that total production during the current year will increase by 5.5 percent over last year.

It is predicted that exports will increase by 6 percent and imports will increase by 10 percent. Imports in the area of machinery and equipment will be especially extensive.

Union Bank estimate:

	1979	1980
Exports	9	6
Consumption	5	4
Investments	3.5	8
Total production (GNP)	6.5	5.5
Industrial production	8.5	.6
Imports	17	10
Balance of trade (mk)	--615	--5000
Balance of payments (mk)	--1100	--5500
Change in prices (% change)	7.5	10

Unemployment Level to Be 5 Percent

The Union Bank researchers calculate the balance-of-payments deficit to be 5 billion markkas. The unemployment level will continue to decrease, possibly to less than 5 percent according to the report.

"In light of the labor contracts concluded to date the wage level with sliding wage scales will increase by a full 12 percent and labor expenditures to an average of more than 15 percent. This means that our competitive position can fall off slightly. The increase in the price level, which was an average of 7.5 percent last year, will be 10 percent, possibly slightly higher," states the report.

The Union Bank estimates that exports in our forest industry will increase by 5 percent this year and the income from exports will increase by 15 percent. Demand will be weaker at the end of the year and exports of lumber products will encounter difficulties.

It is calculated that the value of metal industry exports will increase by 10 percent in proportion to the stronger base of orders.



### "Consumer Credit to Be Tightened Up"

"Consumer activity will remain noticeably active in the coming months. However by the end of the year demand will begin to fall off. Inflation and the price of oil in particular will discourage demand. In addition, the increase in the real incomes of households will remain at approximately half of last year's level and the banks will less inclined to grant consumer credit. Consumption growth will probably be 4 percent in the current year," write the Union Bank researchers.

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## INDUSTRY LEADERS SEE CONTINUED STRONG ECONOMIC GROWTH

Helsinki HELSINGIN SANOMAT in Finnish 16 Apr 80 p 27

[Article: "Economic Growth to Continue in Coming Months"]

[Text] Industry believes that good economic development will continue in the near future. Industrial leaders do not, however, believe that the economic situation will improve, but they also do not see any signs that it is weakening. In certain areas the future is seen to be quite uniform.

Expectations of a recession have been postponed until next year. In the opinion of Industry Association Director Stig H. Hasto preparations should, however, be made for a recession. He emphasizes that if we are able to maintain our competitive ability, we will be better prepared for the recession than the last time around.

On Tuesday the Industry Association published its most recent economic barometer, which is based on the performance of 440 enterprises in March.

According to the report 88 percent of the enterprises estimated that their economic prospects will remain the same. Five percent believe that they will improve and 7 percent expect that they will become worse.

According to Hasto there will be no difficulties this year even if there are some uncertain factors on the horizon. Next year things will become more difficult even though predictions concerning next year are uncertain.

Hasto expressed gratitude for the economic restoration policy and stated that industry will be able to keep its prices competitive with its support. Thus exports have developed well and we have been able to acquire new markets.

Hasto believes that it is possible for us to maintain our competitive ability if we approach it with a definite goal in mind.

There are many factors threatening our price competitiveness this year and in his opinion the wage solutions concluded this year have gone to the upper limits. Also there are pressures for sliding wage scales particularly in the metal industry.

Hasto does not believe that enterprises will be able to achieve last year's level in incomes since the sales figures will not achieve the same rate of growth as energy and wages, among other things.

#### Point of No Return Has Already Passed

Also Assistant Managing Director Juhani Ristimäki assured us that growth will continue, but the point of no return has already passed. In his opinion the growth phase is already behind us.

Ristimäki stated that the expectation of an industrial recession is based on, among other things, the views of leading economic experts in the United States. They have been expecting a weakening of the economy for some time already, but it has not yet occurred in practice.

Economic growth in the United States was still 2 percent at the beginning of the year. Also in other Western industrial countries gross national production predictions have been readjusted slightly upward.

#### Many Positive Traits

The compiler of the economic barometer, section chief Pirkko Lammi, stated that it is now typical that a recession is expected in many countries, but there are still many positive traits in economic development.

In Finland production is to a large extent stronger than it was last year. The purchasing base is better than normal. Exports continue to increase. The labor force has been expanded and will continue to be expanded. Investments are stronger than they were last year.

Lammi considered the increase in the purchasing base to be especially gratifying and considered that it will ensure a continuing growth of production for the rest of this year.

The purchasing base has become stronger over the last 2 years and in March industry announced that there were more orders than usual for the first time since 1974.

The strongest growth with respect to orders has been in the metals and forest industries. Except for the construction industry purchases have increased in all industrial areas since the previous economic report at the end of last year.

However, industry does not believe that the number of orders will increase in the near future.

## Production Growth Stopped at Beginning of Year

Lammi also took note of the lowest point of the barometer or the point at which production turned downward. She stated that this is natural due to the fact that industry has already reached full capacity.

The growth rate of production has definitely slowed down and industrial production did not in fact increase from the high level achieved at the end of last year.

Seasonal factors are also partly responsible for the halt in growth according to the barometer since the rate of growth has decelerated in all areas of industry.

Production has increased during the last 2 years. At the beginning of this year production was stronger in all areas than a year ago. The chemical industry, the textile industry, and the metal industry in particular have increased their production.

Since the end of last year only production in the metal- and consumer goods industry increased and even it was slower than before. Production in the forest industry has increased only slightly. Production in the chemical and construction materials industry has decreased.

It is believed that in the spring production will again increase, but fall off slightly again in the summer.

## Unused Capacity in Half of Industry

At the beginning of the year approximately half of all industrial enterprises had unused capacity. There was very little unused capacity in textile and clothing enterprises as well as in the forest industry. Also in the metal industry capacity was in greater use than before.

On the other hand, there is considerable unused capacity in the construction area, the chemical industry, and the foodstuffs industry.

Lammi pointed out that during the previous economic upswing only less than one-third of industrial enterprises had unused capacity.

Now it is believed that the situation will remain the same and that at the year's midpoint the amount of unused capacity will be the same.

According to the economic barometer the reserves of readymade products will increase slightly. Reserves were also greater than a year ago or at the end of last year.

## An Ever Larger Labor Force Is Needed

Industry has increased its labor force in the last year. Even since the end of last year the labor force has increase in all other areas except the

construction industry. It is predicted that the labor force will increase in the next few months.

Exports have also increased in the beginning of this year. Exports of the forest industry have not, however, reached the level achieved at the end of last year, but it is believed that it will increase during the spring and will remain at that level.

It is believed that all exports will increase during the middle of this year.

Investments at the beginning of the year were greater than a year ago and it is expected that at the beginning of next year they will be greater than they are now.

Approximately 20 percent of all enterprises will experience a growing deficit of a professional labor force, but also a deficit in capacity. Every 10th enterprise will experience funding difficulties and a lack of raw materials.

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## FRENCH PRESIDENT DISCUSSES MIDEAST, THIRD WORLD ISSUES

Kuwait AL-QABAS in Arabic 29 Feb 80 pp 1, 20

[Interview with President F. D'Estaing in Paris, by Ra'uf Shahuri, date not given]

[Text] The Elysee Palace is currently surrounded by large earthmoving machines. A visitor there must follow a twisting course to get in. One must also follow a number of meandering courses to get to meet with the president. In front of the palace, there is a group of guards in their embellished and unusual uniforms, giving the palace a special character like Buckingham Palace in London, the residence of the Queen and her famous guards in their peacock uniforms.

Inside the Palace, Gen De Gualle's office remains as it was; no one uses it and no one touches it except to dust and polish. President D'Estaing chose to use another wing as his residence, although the late president, Pompidou, did himself use De Gualle's office.

The president was quite hospitable this time, responding to questions put to him by reporters from the countries he will visit. He set aside a portion of his time to welcome them personally.

The Elysee Palace, whose construction dates back to the beginning of the 18th century is inhabited with the facts of history. President D'Estaing was in a drawing room furnished in a classical French style. My newspaper and I were introduced to him and he inquired about some details and then asked somewhat inquisitively: "Are you staying in Paris? Did you study French here?" Naturally, the interview was conducted in French. I regarded this question as a bit of a personal compliment, if the readers will pardon this personal observation.

President D'Estaing responded to AL-QABAS' questions, most of which involved the area which the president called "the world center area," meaning by that Europe, the Middle East and Africa.

[Question] Mr President, we are fully aware of your true stances on the Arab issue. Are your visits to Kuwait and some Gulf countries to be made in this spirit and, on the occasion of your tour, what message do you want to direct to the peoples and countries of the area?

[Answer] As you said in your question, France is still a firm advocate of dialogue and cooperation and I extend such a spirit to Kuwait and the rest of the Gulf emirates. My objective is to strengthen relations between France and the countries of the Gulf and the importance we attach to development of our relations with the Arab world as a whole. This visit of mine will be an opportunity to hold political talks on the issues that deserve the attention of our countries in such a difficult stage which is experiencing grave tensions. It will permit me to talk with H.H. the Ruler, Shaykh Jabir al-Ahmad, and the leaders of the countries of the area about ways to strengthen the bonds of cooperation that exist at present and that will develop to our mutual advantage. I am sure that my visit will be a testimony of the deep relations of friendship and trust we have established on various levels and that it will open new horizons to bolster cooperation between our countries on the one hand, and between Europe and the Gulf on the other.

#### France and Gulf Security

[Question] You have repeatedly announced on numerous occasions that it is a mistake to establish relations with the Arabs on the basis of threats. What will be the position of France (and Europe in general) if the countries of the Gulf are exposed to foreign aggression?

[Answer] France attaches the utmost importance to the security of the countries of the Gulf. However, it is up to each country to define the ways to ensure its security, this being a fundamental principle of sovereignty. I know that the countries of the Gulf hold closely to this principle. So, it is up to these countries and them alone to define the means to guarantee their security. Within the bounds of the wishes of the countries of the region, France is prepared, as it always has been, to provide the material which these countries want to obtain.

#### Peace in the Middle East

[Question] In early 1977, you announced that that year would be the year of peace in the Middle East. What is your view of developments since that year?

[Answer] France had always advocated the comprehensive solution which alone could bring the countries of the Middle East the permanent peace they sought. By such a solution we mean that in which all the parties to the problem would participate and which would ensure a solution to all the problems separating them, particularly the Palestine issue. Our position on the Egyptian-Israeli negotiations is based on our doubt that these negotiations can lead to a comprehensive solution, that is, to peace in the area.

#### The Arabs, Europe and Africa

[Question] What has happened with your (February 1979) proposal about establishing security and development cooperation among the Arab countries, Europe and Africa?

[Answer] It was submitted about a year ago from the governments of the Arab world belonging to the Arab League and from the African governments belonging to the OAU and also from the governments of Western Europe. All of them submitted a proposal aimed at giving political expression to various types of solidarity which unite the three areas. The fact is that what exists between these areas is not only economic, commercial and financial integration but rather a more special solidarity emerging from geography, history and culture; in other words, a permanent solidarity. So it appears that the objective of this tripartite dialogue is essentially political and is aimed at providing the prerequisites and best possible climate for the security of all. By sanctifying the idea of "security through development" which can be embodied in the road of solidarity, this tripartite dialogue will help in the move to reconsider international relations which is currently underway.

Such a project ought not to be put forward as an alternative to the north-south dialogue, but as a model form or stage of this dialogue. I am coming to the Gulf to set forth to our interlocutors the deep significance of this initiative.

#### France's Role in Black Africa

[Question] What is the true role France plays in Black Africa? There are those who talk about a role played by France in Tunisia after the Gafsa incidents.

[Answer] First I would like to clarify some points. France has offered its assistance to a number of African countries with which it is linked by traditional bonds of friendship and cooperation at the request of the governments of those countries. When those countries faced dangers from outside and through the creation of a state of instability, French aid has always been characterized by a time limitation and only very limited personnel have moved. I would give the following example: France sent only a unit of 800 men to the Shaba area and this unit only stayed in Shaba 16 days. I give you this information and these clarifications because I believe that comparing it with interventions that are taking place today in various parts of the world (note by AL-QABAS: an indirect reference to Afghanistan) could be helpful. Add to this the fact that the French forces, because they were intervening at the request of the authorities of the threatened country, did not meet with aggressive actions on the part of the local populace. France's goal in its relations with the African countries is to help them turn to issues of development and their own concerns in a climate of peace and security.

One last word about the issue: French forces did not intervene in Tunisia. All that France did was to place at the disposal of the Tunisian authorities, and at their request, some very limited means of transport confined to two aircraft and two helicopters and these aircraft returned to their bases in France a long time ago.

## Europe and the Domination of the United States

[Question] Before you were elected president of the republic, you used to lead the call for achieving European unity away from the domination of the United States in the political, economic and defense fields. During your 6 years as president, how far have you put this policy into practice?

[Answer] European unity does not come as a response to anything whatsoever. European unity has its own goals, that is, to strengthen solidarity among our nine countries to permit them to play a role commensurate with what they represent in the world. By Europe's existence as a force in itself, it can be a powerful partner to the United States and a factor for peace and balance for the whole world. My personal espousal of this issue has not altered at all; in fact, I can say that it has grown more profound.

With regard to relations between France and NATO, I will just say that France has been a member of this alliance since its founding and it intends to honor its obligations and pledges. On the other hand, France left the alliance's military organization in 1967, this organization not having been stipulated in the alliance charter in 1949 but having been established gradually. France left the NATO military organization so as to regain freedom of action in its defensive means and it is not in the cards for France to reverse this decision which constitutes a fundamental element of the policy of national independence.

## France's Relations with the Soviet Union

[Question] There is an impression that relations between France and the Soviet Union have, to a certain extent, departed from their normal course with the events in Afghanistan. What is your comment on this? Will France boycott the Olympic games in Moscow?

[Answer] France's position on the Afghanistan events has not changed. We stressed from the start that the intervention of Soviet armed forces was unacceptable. This means that we are not satisfied with the fait accompli. You will find the same position whether in the statements of the French Government immediately following the Afghanistan events, the joint French-Indian communique after our visit to India in late January, or in the joint French-German communique on 5 February. We would sum up by saying that the situation in Afghanistan must return to what it was for decades past. I believe that there are three basic conditions for accomplishing that:

Withdrawal of foreign military forces on the one hand, and on the other, the Afghans must exercise their right of self-determination and, finally, guarantees must be defined to avoid making Afghanistan a tool for competition among the big powers.

With regard to the Olympic games, our position is clear and explicit: the decision on participation in the Olympic games rests with the national Olympic committees.

#### France and the Third World

[Question] Is France working to play a distinct and leading role in the third world, particularly after Tito leaves the scene?

[Answer] France is a Western country and one of the major industrial countries of the world and, consequently, does not belong to the third world although it does have relations with many of its countries, not the least of which are relations of amity, friendship and cooperation with the Arab world and the African continent.

France feels that the non-aligned countries render a positive assistance in the international balance and France understands the yearning of the countries of the third world for more justice in the distribution of wealth. It is therefore open to the interests and concerns of these countries and works hard to encourage the establishment of an international system that would take the new realities into consideration and rectify the injustice and deprivation from which some countries suffer. This is the significance of the dialogues which France has taken the initiative in advocating between the north and the south and between the EEC and the Arab world and this is the significance of the projected tripartite dialogue between Western Europe, the Arab countries and the African countries.

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## CASTRO INTERFERENCE IN MARTINIQUE DEPARTMENT RELATED

Paris LE FIGARO in French 14 Mar 80 pp 11, 7

[Article by Nicole Kern: Martinique: Castroite Machinations]

[Text] Three weeks ago Paul Dijoud, Secretary of State to DOMTOM [Ministry of the Interior in Charge of Overseas Departments] decided to reinforce police forces in Martinique. Will the arrival on 6 March of two squadrons of motorized police (225 men) in Port-de-France be enough to restore domestic tranquillity? It is rather doubtful. Yesterday evening a meeting was to bring together all the trade unions and leftist parties and the slogan of general strike for next month was affirmed by the trade union organizations' coordination committee.

The Martinique trade union leaders indeed expect to include Guadeloupe and Guiana departments in their movement.

In face of the arrival of the reinforcements, symbol of the government's inflexibility, eager to end the months of disorders, whose main result was to weaken Martinique's economy even a little bit more, just when this department is beginning to recover from the effects of Hurricane David, the chairman of the trade unions' coordination committee intends to show that he will not yield to "intimidation" declaring: "We already have many members and we will be able to challenge any future restrictions."

In fact the trade unions and the opposition parties are taking advantage of every opportunity which is offered them to conduct a battle in the streets, which they are not succeeding in winning at the polls.

A week has not passed for several months without strikes upsetting the economy and daily life. But it also should be

reported that serious events have happened like looting the premises and equipment of a data processing company at the end of January, the kidnapping of company managers and more and more frequent demonstrations of antishite racism.

All those who are interested in stirring up agitation are on the lookout for opportunities. They seized one of them as a result of the government's intention to reduce from 40 to 25 percent the cost of living bonus granted to officials in overseas departments. This measure, which is extremely unpopular in a department where public service is the biggest employer, coincided with the implementation of tax measures spreading dismay among the pillars of the island economy.

Cleverly exploited, the uneasiness quickly degenerated into such indignation that there is no lack of amateurs to spread confusion among minds, either by declaring that France wants to release the West Indies or, on the contrary, by arousing the feeling of cultural identity among the West Indians.

For indeed, it is through the indirect means of culture that the Geste movement has established itself in the West Indies and at the present time it seems that this pressure, considered insignificant for a long time, is becoming more marked.

Paul Doussan writes on this subject: "the weekly letter of the Institut de l'Asie de l'Est (Institut of Prospects) 'the overseas departments and territories are genuine threats' in different degrees."

"The forward march of international communism is real in the Caribbean, with Cuba which is the springboard of soviet activity in Central America," the secretary of state thinks and he adds: "France intends to stop this penetration with the West and the free countries. There is no single power to face this danger. There are no super-powers. There are only Frenchmen who decide to be free. The task of the majority is to defend this. It is that of national unity. This is accompanied by a reform program."

At the present time the government and naturally the president of the republic, who received Paul Doussan and who launched the law before yesterday with the approval of the Martinique and Guadeloupe regional and general assemblies, are concerned about this paradoxical situation, which if it is in desiring to correct the inequalities is considered as "the vestiges of a colonial past" that one has wound up with by decree.

Like the PC?

For the moment, the government has admitted that nothing could be done without consultation and it has deemphasized the 40 percent reform, but it has decided to create respect for public order and to monitor very closely the actions of advocates of independence who are strongly suspected of enjoying Castro's political and financial support.

In an interview with FRANCE SOIR the minister declares, "I am convinced that the communist party and the FPM [Martinique Progressive Party] have the same type of relations with Cuba as those which the French Communist Party maintains with Moscow." However, the minister remarks that no type of armed support has been observed.

In Guadeloupe, a department which has experienced considerable economic prosperity for several years, the situation is calmer. But, on the other hand, it is at Point-a-Pitre that an attempt to shoot Raymond Vivien, general counselor RPR [Rally for the Republic], took place a few days ago, an attempt where, moreover, nothing proves at the moment that it must actually be credited to the "Group for the Armed Liberation of Guadeloupe," which had claim to it.

Two factors are going to allow an evaluation of the situation: the behavior of the participants at the meeting at Port-de-France and especially, on 23 March, the special cantonal election of the fourth canton in Port-de-France, due to the resignation of Arthur Regis, FPM, which will give some 10,000 Martinique voters the opportunity to make up their minds democratically.

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## FSL CRAXI'S SPEECH IN LOWER HOUSE CONFIDENCE DEBATE

LD/51545 Rome AVANTI in Italian 19 Apr 60 pp 2-4 LD

[Apparent text of a speech by Italian Socialist Party Secretary Craxi in Italian Lower House confidence debate on 18 April: "Craxi's Speech to the House"]

[Excerpt] In the Seventh Legislature we essentially allowed ourselves to be swept aside by a paralyzing clash between the two major parties, although we could perhaps more usefully have tried to prevent the sixteenth institutional crisis. Today the institutions cannot withstand the burden not only of damaging new crises but even the creeping pernicious strain of chronic instability, constant ungovernability and disregard for responsibility.

First we awaited the leading parties' decisions, and then we took ours. We decided to adopt a policy of socialist intervention because that was our duty to our country's ailing democratic life and our duty to the workers and the whole nation.

We decided to intervene to try to stop the process of collapse, of which we had noticed signs before the wave of indifference could grow in the country - before the collapse of community solidarity which was threatening would spread, and before the chaos which was being formed could produce uncontrollable situations. It was because of this fundamental democratic need, based on the situation and an analysis of the facts, that we decided to direct intervention and to assume responsibility in a majority and qualified government, and to a policy born of an open and willing search for collaboration. We did not rule out a better solution in order to jump on the ministerial bandwagon, as a reputable journalist, imbued with resentment against the socialists, wrote.

We tried to choose the best option in a difficult situation which was determined on all sides by the prevailing impossibilities and even the aims of others.

The present solution is, in its organic characteristics, better than the previous one and better than the rarefied and dissipated atmosphere in which we would have been suspended--although--certainly not for long--had we not taken our decision. It is all very well for the Honorable Magri to tell us and a left which, in fact, is listening to him with diminishing interest that the right line to take was "all in the government or all in opposition." For us all to participate in government required a political situation which did not arise, and if we had all gone into opposition it would have led straight to elections.

If the PCI had shown its willingness to adopt a common stance with us on giving conditional support to a different government, independent of its direct participation, we could also have taken a different decision preventing a widening of the gap between the two major leftwing parties. However, it was not willing to do so, and furthermore I realize that it was difficult for this to happen in the circumstances which arose.

Therefore our decision stands, and it enables the legislature to make programs and means that the country can rely on more government stability--a decision which aims to offer a guarantee and not start further regression.

#### A Law from it Providing a Guarantee

These considerations have given rise to a government which is not the product of a modified strategic line but the product of a sound political reality.

It is a government which must and, I hope, will perform the function of a guarantee.

A guarantee relating to the possibility of making the dialog among political forces on specific international and domestic priorities flexible and constructive.

A guarantee also regard to the possibility of rebuilding future prospects and collaboration based on national solidarity for which we must work, and not collaboratively, to create the appropriate climate and opportunities.

Guarantee for the trade union movement and social forces which are increasing and will get an interlocutor with full responsibility and not just based on the support of an organic parliamentary majority.

It is only by the word made and written, a government to bridge a gap, a government of limited government. It is essential not to impose self-limiting conditions when the first requirement is that of stability, continuity, implementing an emergency program and providing guarantees. The agreement between the socialists, republicans and Christian



Democracy, therefore, has well-defined foundations, is realistic and does not ignore or disguise the differences and problems which might arise. We have taken advantage of a climate of mutual respect and loyalty which is and will be essential for united government action. Nenni liked to say that the history of relations between socialists and Christian Democrats was destined to be a history of "encounters and clashes," and he was right.

We share by the decisions which we agreed decisively to adopt with regard to the modernization of missile systems in the European theater, but the call for negotiations between the Atlantic Alliance and the Warsaw Pact to be initiated at the appropriate time must be maintained and renewed with new initiatives. The policy of limitation and reduction of conventional weapons and the policy of strategic balance based on agreements already reached now seem to have stagnated completely, while the risk of a radical reversal of trends is emerging which, if it grew stronger, would reopen the door to an uncontrolled rearmament race. For many reasons have built up. And together they threaten to push the world toward tragic confrontations. There is an increasing number of "hotbeds of tension" in the Middle East, Southeast Asia, Africa and the Mediterranean. If this trend is to be reversed by some means we must still expect water on the fire. That is why we are far from enthusiastic about the hard line which the U.S. Government has taken toward Iran after several months.

The intense and inhuman abuse of power motivated by the ingratitude imposed on U.S. citizens by Iranian groups not even under the control of the Iranian Government, which has been forced to warn that it cannot guarantee the hostages' safety, is in us direct solidarity with the U.S. people and government. However, although the most trivial action is still the release of the hostages, we doubt the effectiveness of the hostage policy, which is provoking and increasing Iranian animosity, exciting moderate and fanatic and pushing them unreasonably to accept the logic of "the worse the better."

Religious practices should be completely abolished, since they would open the door to the discrimination against the different in the regime. Especially in the case that the situation would be like this case, which is a sweeping violation of human rights and the most fundamental principles of international law must be remedied. I hope that the Iranian Government will, in the next few days, decide to stop up such a breach in the Iranian government without going as far as to cut off relations, which would be disastrous and would postpone any possibility of a solution which would be the best solution, which has as far as I know a firm and solid basis, that is in the new Iranian Parliament's decision before taking irreversible steps.

The highest question is still on the agenda. This is a case of imperialist intervention which was bound to spark all the tensions it had

throughout the world. The question is still open even if all mediation, all balanced requests for neutrality and assurances have not been considered and everything in that country still depends on the law of force. Some people in Moscow probably argue as Stalin argued in the thirties, when he said with some contempt that "ultimately Europe will swallow anything." However, military normalisation in Afghanistan has not achieved its goal, and the international community cannot accept the fait accompli.

CSO: 9104

## PCI'S BERLINGUER GIVES PRESS CONFERENCE AT END OF PRC VISIT

LD291806 Milan L'UNITA in Italian 23 Apr 60 pp 1, 15 LD

[Report by Renzo Foa on PCI secretary general 22 April Beijing press conference: "Visit a Complete Success"]

[Text] Beijing--The strengthening of the new relations between the PCI and UCP is a sign that emerges at the end of the visit to China by Comrade Berlinguer and the PCI delegation. The foundations for it exist: they lie in the clarity, the frankness, the emphasis placed on the many points of convergence--which were not obscured by the points of divergence--and, above all, the awareness of the need to act for world peace. These signs emerge both from the texts of the two toasts which Berlinguer and UCP General Secretary Hu Yaobang exchanged at the farewell banquet last night, at the end of the fifth and last meeting between the two delegations, which lasted over 3.5 hours, and from the press conference in the early afternoon which Berlinguer held for Italian and Chinese journalists and correspondents accredited in Beijing in a large room at the National People's Assembly building.

Introduced by Polotta, Berlinguer began the meeting with a brief statement: "As our visit to China approaches its conclusion," he said, "I would like first of all to express our deep satisfaction with the friendly spirit in which we have been welcomed and in general with the way in which the visit has proceeded. During our conversations with the comrades UCP leaders and our contacts in Beijing and elsewhere in China, we have managed to deepen our acquaintance with the problems currently being tackled by the Chinese comrades. Our impression is that a great deal of hard work has been done and is being done to surmount the great difficulties created during the Cultural Revolution period and the problems which emerged at that time. A great task is being carried out with the aim of achieving the objective of building a more progressive and modern China in all fields. A favorable impression has been made on us by the realism with which the Chinese comrades face the difficulties and the frankness with which they talk about them.

"Second, I would like to say that we have acted with pleasure," Berlinguer added, "a considerable interest in our policy and formulations. Of course our greatest cause for satisfaction is the established resumption of relations between the CCP and PCI and the actual manner in which this resumption is taking place. It is taking place on both friendly and clear bases, which can be summed up as follows: respect for the autonomy, independence and political positions of both parties; frank discussion of points of disagreement and divergence; the quest for better understanding and for every opportunity for cooperation, trusting in the future of our relations, our discussions and a verification of the facts to bring about a more thorough analysis of the issues."

"We have also explained," Berlinguer continued, "that the resumption and development of relations between our parties are not directed against any other party. In our opinion, meetings between CCP and PCI leaders prove that the existence of disagreements and divergences is no obstacle to dialog, an open comparison of opinions and cooperation. This is something very important for the further development of relations between our parties, but we believe that it is of importance also with regard to relations among communist parties as a whole and in general among the forces of liberation, progress and peace. Last, I would like to point out that one of the aims of our visit was to contribute to the development of friendly relations and exchanges between the PRC and Italy. We are glad that our visit and our talks with the CCP leaders have contributed to this end, which is close to the hearts of both the Chinese and the Italian peoples."

The first question came from a RENZI RIBA journalist, who asked: What is your opinion of the prospects of solidarity, unity and cooperation between the parties?

[Berlinguer:] From the conversations that we have already had--there have already been four meetings with the delegation led by Comrade Hu Yaobang--there has emerged a shared determination between the parties to impart the highest development to their relations. The same determination and desire have been expressed by Chairman Huo Guofeng, Vice Chairman Deng Xiaoping and other central and local leaders with whom we have met. At the last meeting of the two delegations, which will take place after this week's conference, we will examine, among other things, specific proposals for further cooperation. What is certain is that both sides will make an effort to impart the most specific development possible to our relations, to take further steps forward in mutual acquaintance and understanding. [Berlinguer ends]

Next, Le Monde's Beijing correspondent asked: Did your Chinese interlocutors express to you the intention of establishing contacts with other parties of the international workers movement and, if so, did they set any conditions?

Berlinguer replied in French: "Perhaps we will discuss this issue at our meeting later. But I must specify that we are not here to represent other parties. We represent only the PCI. As for the conditions which you mentioned, I can only say that the Chinese comrades did not impose any conditions on us."

You have emphasized the existence of divergences and differences, a correspondent for Italian Television Channel One's newscast said. I would like to know on what points these emerged.

"One of the points," Berlinguer said, "is this: We do not agree that the Soviet Union should be considered an enemy. Of course, I would like to add that neither do we agree that China should be considered an enemy."

A Brazilian journalist from the JORNAL DO SAO PAULO said: The majority of the Brazilian Communist Party Central Committee is threatening to expel Secretary General Prestes, who in turn accuses his party's Central Committee of submitting to the influence of the PCI, which is trying to win it over to an anti-Soviet line.

[Berlinguer:] Having said that we do not consider this the most suitable forum for discussing the Brazilian Communist Party's internal situation, I would like to add that we have always had and wish to have good relations with the Brazilian comrades and that we have never interfered and have no intention of interfering in their internal affairs.

A "MILAN" correspondent said: Deng Xiaoping told Italian journalists that he considered the outbreak of World War III inevitable, and I know that this is a point on which the PCI and the CP is not agree. Following your talks, do you believe that this Chinese stance has altered?

[Berlinguer:] We did indeed discuss the issue with the Chinese comrades. Our opinion is that war is not impossible. We are also very worried about the turn that international relations are taking, and we do not rule out the possibility of a world war breaking out. Nevertheless, we believe that the war is avoidable. There is disagreement on this point with the Chinese comrades. I believe that we will continue to discuss it and reflect on it. But the most important thing is that we are agreed to work actively for peace.

A "MILAN" correspondent:

A Brazilian journalist: According to an agency dispatch, Chairman Hua Guofeng referred to the possibility of a new invasion in Vietnam. What do you think of that?

[Berlinguer] When the Chinese intervention against Vietnam took place we clearly condemned the action. Our position would be the same if there were another intervention.

Correspondent from the Japanese paper MAINICHI: Did you exchange views on imperialism?

[Berlinguer] How could we fail to discuss this question?

Is there also a difference of opinion between you and the CCP regarding U.S. policy, the LA STAMPA correspondent asked.

"During our talks," Berlinguer replied, "we expressed our views on U.S. policy and on the responsibility which we think the United States bears for the deterioration in international relations. I would like to add that we are not hostile to the establishment and development of relations, based on peaceful coexistence, between the United States and China. While criticizing many aspects of U.S. policy, we think that Italy should have friendly relations with the American nation. We can only hope that normal, constructive relations can be established and developed between the Soviet Union and the United States and between China and the Soviet Union."

Correspondent from RIFORMA RIBAUD: In the past our newspaper has not said much about Eurocommunism. I would like to take this opportunity to find out trends in and the latest information about Eurocommunism.

[Berlinguer] That is a question which would require a long answer because the Eurocommunist phenomenon is very complex. However, I can explain it briefly: The basis of Eurocommunism is the search for a path toward socialism which is based on the particular conditions prevailing in West European capitalist societies. On the one hand we do not consider the social democratic path valid for these societies, and on the other hand we do not consider valid the models for building socialism used in the Soviet Union and Eastern Europe. One of Eurocommunism's characteristics is to place the path toward socialism on full respect for and extension of the democratic achievements already made in the West European countries. In addition we are pursuing the goal of a socialist society which is built on full respect for all freedoms. Finally I would like to add, in connection with certain polemics which have recently taken place in Europe, that we do not regard Eurocommunism as the attribution of an exclusive position to the communist parties, but instead we think that it includes the search for the broadest possible understanding with all the forces which have their roots in the West European workers movement and hence with socialist, social democratic and other parties. (1140) For instance, we attach special importance to the Catholic Church. I would also like to add that we do not think that Eurocommunism should be confined to Europe; we think that it is a fundamental duty of the workers movement in the capitalist European countries to seek



contacts and cooperation with Third World liberation and progressive movements.

What are the main factors, LA REPUBLICA's correspondent asked, which determined the resumption of PCI-CCP relations?

[Berlinguer] The main factor is our observation that the suspension of relations had a negative effect on the two parties and the entire workers movement and that it was very constructive to resume relations, to meet with each other and discuss.

A journalist from a Scandinavian press agency: Did you discuss the CCP's relations with other so-called Marxist-Leninist parties?

[Berlinguer] Ours is a party which is inspired by both Leninism and Marxism, although in its own individual way. Ours is a party which exists. We discussed our relations in detail with our Chinese comrades. We did not talk about other Marxist-Leninist parties.

The Intervention in Afghanistan

The correspondent from the American NEWSDAY asked: Did you discuss Afghanistan?

[Berlinguer] It is impossible not to discuss Afghanistan when discussing the current international situation. You are aware of our criticism and condemnation of the Soviet intervention in that country. Our Chinese comrades explained their viewpoint. We expressed the hope that a solution might be found to the problem as soon as possible--a solution which guarantees the Afghan people's sovereignty and at the same time prevents any further deterioration in the international situation.

L'ESPRESSO's correspondent then asked two questions. The first was: Did you also discuss what the Soviets describe as the Chinese and U.S. interference in Afghanistan? The second was: Could this trip have repercussions on the communist parties' conference which opens in Paris on 16 April?

[Berlinguer] We have no reason to ask questions about Chinese interference in Afghanistan. Our Chinese comrades raised the matter, asserting that there has been no interference of this type. As regards your second question, our visit to China has nothing to do with the Paris meeting, in which we have already stated our position.

The correspondent from the weekly EPICA asked: You spoke of the "united front" proposed by the Chinese. Can you give some details of the contribution which this trip will make to relations between Italy and China?

[Berlinguer] We clearly expressed our disagreement with a "united front" between China, Japan, the United States and Western Europe with anti-Soviet aims. With regard to the influence which PCI-CCP relations could have on relations between the two countries, it seems obvious to me that the fact that the CCP is reestablishing contacts with a party like ours, which represents the main force of the Italian working class and one-third of the electorate in itself constitutes a further development in relations between the two countries which we consider useful and possible.

The Beijing correspondent of the German magazine DER SPIEGEL: During your visit the Chinese repeatedly spoke of the international communist movement, but where is the international communist movement going? Against whom is it fighting? There are various enemies: the Chinese regard the Soviets as the main enemy; you do not seem to talk of any enemy. How can you cooperate with this profound difference of opinion?

[Berlinguer] Obviously when we talk of the international communist movement there is not full agreement between our Chinese comrades and us. I should also add that there is not full agreement with many other parties. This does not alter the fact that, in our talks with our Chinese comrades, speaking in general about the movement to liberate the oppressed masses, we raised various points on which we agree. We expressed the same wish as regards the recent events in southern Africa, particularly in Zimbabwe. Another example: We share solidarity with the Palestinian people in their struggle for their national rights.

The last question was from Italian Television Channel One newsreel correspondent in Beijing: Among the differences of opinion, did you discuss the division of the European nation [as published]? Did you discuss Cuba?

[Berlinguer] We did not discuss Cuba in particular. We discussed the international movement. The view which, I think, is shared by our Chinese comrades is that it is important for the national movement to maintain its unity and strengthen its role. As regards Europe, both our Chinese comrades and we expressed our support for boosting the unification process. We stressed the fact that the unification process should be developed at the same time as a process of change which increases the role of the leftwing, democratic and progressive European forces. In this sense we emphasize the important role which Europe can play, as can the national movement, in reducing international tensions. Although there are points of agreement and disagreement on this question, I would not like to play down the fact that in reexamining relations with the PCI the CPY is establishing contact with one of the leading forces in the West European communist movement.

PAULINE: concluded by thanking all those present and pointing out that Berlinguer spoke exactly in the same language in Beijing as he does in Rome and Bologna.

The Italian delegation's day began with the traditional and indispensable visit to the "Great Wall" and ended with a visit to Italian Ambassador Francesci and the embassy staff at the Italian Embassy. Early this morning, the PCI delegation, including Comrades Rubbi, Oliva and Silvana Dameri, leaves on a special flight for Pyongyang at the invitation of the Korean Workers Party. Another short stop in the Chinese capital is planned for Friday morning on the return flight to Italy. Finally, yesterday evening Chinese television showed a 30-minute interview with Berlinguer.

CSO: 3104

## NEW NAVAL CONSTRUCTION NOTED

Paris DEFENSE NATIONALE in French Mar 80 p 157

[Article by Jean Labayle: "Low Countries: New Construction"]

[Text] The keel of the frigate "Willem Van Der Zaan," the 12th and last Kortenaer-class ASM [Anti-Submarine] frigate of the Dutch Royal Navy was laid on 15 January at the De Schelde shipyard in Flushing. It is scheduled to be commissioned in 1984 (tests in 1983). Two of these 12 frigates, the "Kortenaer" and the "Callenburgh," are in service, one is in test, and the remaining nine are in various stages of construction. These 3,750-ton displacement, 30-knot ships are propelled by gas turbines at full and cruising speeds. Their armament includes eight American Harpoon-type anti-surface missiles, one NATO Sea Sparrow short-range surface-air system, one 76 mm CA (Anti-aircraft) gun, four ASM torpedoes-launching catapults, and two Lynx ASM WG 13 [Wire-Guided] helicopters. Six very similar frigates (differing in regard to propulsion system) are under construction in the FRG [Federal Republic of Germany] for the German Navy. The first of these, baptized the "Bremen," was launched in the summer of 1979.

The frigate "Eversten" was recently dry-docked for refitting at the Helder Arsenal, where it will undergo the same work that was previously done on the "Van Speijk" and the "Van Galen" and that is in progress on the "Tjerk Hiddes" and the "Van Nes." With the modernization of the "Isaac Sweers" which is to follow, the revamping of these frigates, derived from the British Leander. These 2,850-ton displacement units, which were commissioned in 1967-1968, will now be equipped with eight Harpoon Anti-surface missiles, two Sea Cat short-range surface-air systems, one 76 mm CA gun, 6 ASM torpedoes, and one Lynx WG 13 helicopter. An advanced degree of automation of these ships and their equipment has reduced their crews from 253 to 180 men. Modernizing these frigates at their half-life has been a profitable operation, in that it has resulted in ships with overall characteristics very near to those of the new Kortenaer class.

The submarine "Zeeleeuw," the second of the Walrus class described in our December 1979 issue, was ordered 18 December 1979 from the Rotterdam dockyard. The "Walrus," which is scheduled for test by mid-1983, will replace

the "Zeeleeuw," which will be the first of the new class. The "Zeeleeuw" is scheduled for testing by the end of 1984 or beginning of 1985, and will replace the "Zeehaai," which is to be decommissioned around the beginning of 1984. These new submarines will therefore not increase the Dutch submarine fleet numerically, which in 1985 will include, as it does today, six attack submarines: two that will have just then been decommissioned; two, the "Zwaardvis" and the "Rijperdaai," that will be 13 years old by then; and two 20-year olds, the "Pieris" and the "Yonck.".

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## SEND FOREIGN PARTY GREETINGS TO SPANISH COMMUNISTS ON ANNIVERSARY

LRI91039 Madrid MUNDO OBRERO in Spanish 17 Apr 80 p 2

(Unattributed report: "Further Greetings Messages to PCE on Its 60th Anniversary")

(Excerpt) Communist Party of Cuba

"We wish to send you," the Communist Party of Cuba Central Committee's message states, "the warm and revolutionary greetings of the Cuban communists and of our entire people. The path traveled by the Spanish communists has been long and hard in their constant struggle to achieve, together with their people, the ideals of democracy and social justice, which we trust they will rightfully achieve. The incalculable sacrifices made over these years and the valuable resolve displayed undoubtedly constitute a powerful encouragement in the present and future struggle in your country. We reiterate to you on this occasion our wishes for success and our intention to continue working to strengthen ties of friendship and solidarity between our two parties and peoples."

Korean Workers Party

"Your party," the Korean Workers Party Central Committee states in its message, "waged a long and tenacious struggle to end the fascist dictatorship, together with all the antifascist, democratic and patriotic forces of various sectors, and developed and was strengthened as a strong political party with a sound mass base."

"Today also, your party is formulating independent lines in keeping with Spain's specific conditions and, in accordance with them, is conducting correct activities for the country's democratic and sovereign development and for the triumph of the cause of socialism and is achieving great successes in them."



Our party and our people rejoice at the successes achieved by the PCE throughout its stirring career, as if they were their own, and express their support for and solidarity with your party's independent policy and all its activities based on it.

Communist Party of Colombia

"On the occasion of the 60th anniversary of your party's birth," Communist Party of Colombia Secretary General Gilberto Vieira writes, "please accept fraternal greetings from our Central Committee on behalf of all our members. As internationalists, we have always followed the progress of your struggles and, in particular, your heroic conduct during the tough years of the civil war in defense of democracy. Having emerged from the lengthy period of clandestine life, regaining legality, your struggle in defense of the same democratic principles against the reactionary and terrorist forces is continuing."

SKF (internal)

Rafael Bragagnolo, secretary general of the SKF (internal) Central Committee, expresses in his message on the PCE 60th anniversary "our best wishes for further successes along the path of peace, democracy and socialism."

Communist Party of Chile

"We are close to you," Communist Party of Chile Secretary General Luis Corvalan states, "and solidarity with your struggle for the interests of the Spanish working class and people, against the monopolies and for democracy and socialism. We thank you once more for the generous help which you have given us in our struggle against the fascist dictatorship. We hope for increasing development of the friendship and cooperation between our two parties."

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"The comrades,"

On the 60th anniversary of the founding of your glorious party we convey to you the Italian communists' most fraternal and warm greetings. With deep feelings of solidarity we follow the struggle of the Spanish communists, with whom we feel linked by ties which were strengthened during the years of the glorious joint battles for the defense of republican Spain.

"Throughout these years, respecting each other's autonomy and independence, our two parties have strengthened their ties and are striving jointly, proceeding from the situation and the specific conditions in their own countries, to find the paths toward socialism in freedom and democracy."

"You and we know that, especially in the current very difficult international situation, the broadest contribution by all democratic and progressive forces is necessary in order to restore faith in relations among states and to set the process of detente under way again, so as to dispel the dangers to peace and to build a new international order. Our two parties clearly uphold these stances.

"At a time when you are celebrating with just pride your party's 60th anniversary, we wish you, in the spirit which has so far characterized our relations, further successes in the struggle for Spanish society's democratic and socialist transformation and reiterate to you our fullest solidarity and friendship."

CSO: 1110

## MARCH POLL SHOWS GAIN BY CONSERVATIVES; VPK LEADS LIBERALS

## Conservatives Gain

Stockholm DAGENS NYHETER in Swedish 8 Apr 80 p 2

[Editorial by SN]

[Text] In the election of 1958 the Conservatives got over 20 percent of the votes and were the biggest bourgeois [i.e., non-socialist] party. It was hard to see at that time what could stop the party's continued advance. When the Conservatives lost big in 1960 many believed that the natural upper limit for the Conservatives was far below a fifth of the voters. Just as the Social Democratic Party's election results fluctuate between 40 and 50 percent, one could count on the Conservative voter support's being between 10 and 20 percent.

According to the SIFO [Swedish Public Opinion Research Institute] voter barometer for March, the Conservative Party is up to 26 percent. The March figures for the three preceding years were between 15 and 16.5 percent. The Conservatives' gains during the last year correspond to an approximately equal drop for the Liberal Party.

When the Conservatives under Jarl Hjalmarson and Gunnar Svärd seemed on the way to crush all opposition, the Liberals and the Center Party formed a coalition. During that very election campaign of 1960 they succeeded in isolating the Conservatives. Bertil Ohlin and Gunnar Hedlund made similar speeches, in which they drew a sharp line against the Conservatives' social development policy.

The collaboration with the Liberal Party before the plebiscite on the pension question in 1957 had made the Conservatives respectable among Liberal voters, and that contributed to the Conservative victory of 1958. After 1960 both the Liberal Party and the Center were careful to keep a considerable distance between them and the Conservative Party. It was not until the 1970's, when new party leaders replaced Ohlin and Gunnar Hedlund, that the Conservatives' isolation was broken. In 1976 a three-party government

was turned, 1: which the parties of the center vouched for it that the Conservatives would be no threat to welfare. Thereafter the Conservative Party grew stronger than the parties of the center together.

When the Center Party and the Liberal Party blur the boundary line against the Conservative policy they lose many of their voters. On the one hand to the Conservatives, who show a more definite profile. On the other hand to the Social Democrats, who alone seem to offer resistance to the forces of the right.

The Liberal Party felt itself politically wing-flipped and had difficulties in keeping its voter support even back in the time of the previous three-party government. Although the party has no better alternative right now than to continue in the government and hope for better times, there is no blinking the fact that three-party collaboration is threatened by the trends in opinion indicated by the voter barometer. For every general bourgeois voter that abandons the Liberal Party for the Conservatives, the three-party government loses tenacity.

#### VPK Analyzed

Stockholm: DAGENS NYHETER in Swedish 8 Apr 80 p 1

[Editorial by TWC: "VPK--a Party Like All the Rest"]

(Text: The left-wing Communist Party, if we are to believe SIFO and other opinion-researchers, has increased its share of the voters during the last few months from 5.5 to 7.5 percent. There is every indication that most of the newcomers are Social Democrats who were strongly committed against nuclear power and for Line 3. As so often occurs, on that point the VPK has the same view as 39 percent of the Swedish people.

At the same time, one of the countries that are ruled by the VPK's sister organizations has secured its occupation of an intractable little country in Asia, Afghanistan. The effect of this should reasonably be negative, but still it seems to be slight as compared to other, domestic factors. Have the Swedish voters gotten a new, more "house-trained" picture of the principal heirs of Marx, Lenin, et al.?

For many decades the Communists were in a sort of special class in Swedish politics. All the rest noted that the most fundamental gulf ran between the four democratic parties and the party that evinced solidarity with the socialism of the eastern states and at least in principle advocated a sort of dictatorship, that of the proletariat. New young voter groups with a view of the world formed by student debates, the Vietnam war, and the problems of recent industrial society have somewhat blurred the boundary between Communism and other views. That certainly suits Lars Werner, but it should not be accepted by the parties that place democracy as a polity and way of life above their own positions on particular issues.

The Center Party has had to suffer ignominy because the party entered into the same "people's campaign" with the VPK. That previously impossible combination, however, reflects a general disintegration of the feeling of alienation against the VPK. That is often agreeable to people purely privately, that the ideas when converted into reality become quite disagreeable has become, as it were, a separate and irrelevant matter. There are questions that cut right across the ordinary right-left scale and on which one should cooperate for specific goals independent of ideologies. A position is not worse because it happens to be also held by certain suspect persons. Conservatives often attacked Line 3 with the argument that a number of open revolutionaries and irresponsible organizations supported it. So they did. But that is just as poor a reason as the more common objection to certain Conservative or government proposals that the SAF [Swedish Employers' Confederation] supports them. The belief that some are wrong in absolutely everything they say is just as authoritarian as the belief that some are absolutely right in everything.

The wrong side of a movement that cuts across political lines and is open to all is that the fundamental difference between democrats and those who accept the "right" kind of undemocracy is obscured for a time. It may be that this is now being set right; signs have already been noticed.

Drawing a clear line against the VPK does not mean rejecting all of its views on social, cultural, or economic policy (which according to the Social Democrats would cost the treasury 104 billion [kronor]), although the distance is easier to see for those who also disagree with the VPK on almost all questions. The decisive thing is that the VPK almost by definition accepts undemocratic methods in politics. It no longer ~~propagates~~ ~~stands~~ for violent revolution and one-party dictatorship in Sweden. But ever since the communist parties' origin that has been the decisive line of demarcation between them and the Social Democratic Party.

The word communism may mean either simply a certain economic system (socialism), in which all means of production are owned by the state or in some other collective mode, or such a system maintained through one single party with dictatorial power. The latter is the only communism that exists in the material world. If one finally came to a different conviction concerning the system of Comrade Brezhnev et al., one could indicate that by not calling oneself a communist. That is what has happened in Denmark, for example, where the main part became the "Socialist People's Party," and in Norway. Here in Sweden the superfluous addition of "Left-wing Party" was adopted to attract both general leftist socialists and the more who know what communism really is and approve it.

By democracy most mean a system in which everybody has a right to work for his political views and every individual's will weighs equally heavily in the election. That does not exist anywhere in the communist parts of the world; attempts in that direction have been put down with violence.

It is this VPK's leaders that make trips to -as it is called- "strengthen the cooperation among the communist parties" (VPK = the Hungarian party in 1979). Calling themselves democrats and at the same time calling the monopoly parties of dictatorships their sister parties makes sense only according to the special VPK logic.

The VPK does disapprove of occupations and too obvious oppression, but it does not see the connection between these phenomena and the principle that is fundamental to communism as such, namely that their own views are objectively so superior that they have a right to discriminate against all others.

Many in the VPK's "intellectual" voter base react with sympathy to the party's innate "impertinence" and embarrassed inability to reply on this ideological and international fundamental principle. Other parties should make it clear that democracy is more important than differences of views on income tax scales, defense appropriations, an added value tax on food, or whatever it may be.

The VPK has a broad cadre of leaders who were educated in communist schools in the Soviet Union and the GDR (about 100 and 300 respectively, according to a recently published polemical pamphlet, "Myten om vpk:s oberoende" [The Myth of the VPK's Independence], Timbro Förlag). Of course, the VPK has the right to train itself wherever it will, at home or abroad, and to have whatever business contacts to the east it wishes. The proposal in the Scandinavian Council to prohibit taking foreign support rightly failed; after all, we are assisting liberation movements in Africa, etc., ourselves. But the little-boyish, native scenery around the VPK should be seen through. Every party has its continuous history, with shadows and bright spots, by which it must be judged in part. Advocates of democracy in the Swedish sense and advocates of "people's democracy" of the one-party model should not in reason work in the same party. The VPK's successes should soon lead either to a radical break with the party's hitherto unaltered ideological tradition or else to a new decline.

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## REPORTER OBSERVES ANNUAL WINTER MANEUVERS

Stockholm SVENSKA DAGBLADET in Swedish 16 Mar 80 p IV

[Report by Erik Lidén]

[Text] Kalix (SVENSKA DAGBLADET) -- "It feels almost like spring weather to us soldiers in Norrbotten," said a true Stockholmer when this year's winter military maneuvers got under way at -26°C in the Kalix area. "It was -47°C when we were out earlier this winter on a week's maneuvers. It was bitter cold then, but with warm clothing and good equipment, and with pauses in the warm at regular intervals, we got along surprisingly well."

AND [SVENSKA DAGBLADET] got a chance to accompany a Norrland rifle battalion under the command of Major Per Mohlin, I 19, Boden. The maneuvers were carried out with 1,500 soldiers, including some called up for refresher maneuvers and some conscripts who will complete their basic training 28 March.

The maneuvers were attended by Col Jan Wickbom, chief of I 19, who told SvD, "I am impressed by the will and spirit shown by the young conscripts. The hardships they endure without grumbling during a month's maneuvers in severe winter cold are of great importance to confidence in Sweden's armed forces. It would therefore be a good thing if the decision-makers got a chance to study the formations behind the conscript army, and particularly the conscripts themselves. Soldiers that actually function best when we make real demands on our maneuvers. This year's age class is one of the best in my experience."

SvD accompanied the battalion with tracked vehicles, skis, and snowshoes for 3 days. Major Mohlin, who was formerly an active officer and is now director of the Swedish Tourist Association in Stockholm, has followed and led this battalion since 1967. The majority of the soldiers are young, doing their first or second refresher maneuvers. Of the 1,500 who took part, nearly 500 are from the Stockholm area. In the bitter cold there

were no discriminations; they all worked for each other. The individual rifle, antitank, grenade-thrower, reconnaissance, and baggage transport sections never hesitated to go out in the dark and cold.

#### "Nobody Hesitates"

Per Mohlin says, "Of course there are shortcomings in individual performance due to too short and sometimes ineffective basic training. But these are eclipsed by the willingness the men show. In the welfare state that Sweden is today nobody would be surprised if a frozen and exhausted 25-year-old preferred the warmth of the tent or hut-camp to the winter cold of -30°C and 90 centimeters of loose snow. During the weeks up here I have not seen any such thing. Should anyone hesitate, in any case it is not the conscripts.

"After many years' experience directing soldiers and civilians I have found that the Swedish system of education is good, all things considered.

#### "Sovereign Pedagogy"

"The pedagogy we use in the military, where the individual is required to stand up for the group, is sovereign. When, as in this battalion, we have been able to train and plan for a total of seven weeks, the chances for a good result are favorable."

Per Mohlin has continuous written contact with the reserve officers who are company commanders and other reserve officers in key posts in the organization. Besides that he tries to meet them every year together with the professional officers who are posted to the unit. Accordingly, in September of last year, together with those officers he spent a week planning and studying the maneuvers in the Norrbotten terrain around Kalix, where the battalion has its wartime assignment. In a crisis situation many units assemble near the sensitive border with Finland.

Mohlin himself has been in Boden and Kalix since 21 January for detailed registering. On 4 February the other active and reserve officers arrived. Thereafter the various command groups showed up every Monday until 27 February, when all conscripts moved in for their mobilization supplies.

#### Changing in the Cold

Directly after changing to military clothes outdoors in the cold, they set off for musketry practice with live ammunition. This was carried out by companies with their own officers and non-commissioned officers as chiefs and instructors, at Lomben shooting range north of Kalix, with no accidents whatever, either by day or by night.

In 1966 the Riksdag adopted a system of refresher maneuvers as a cornerstone of the Swedish defense system. Chiefly for economic reasons these maneuvers have been both canceled and shortened. Three command weeks have become two and the three weeks in the field in battle and firing range terrain have become two and sometimes only one.

## 100,000 Retrain

Every year about 100,000 Swedes aged 22 to 47 are supposed to be retrained. According to Defense Minister Eric K  nmark (Conservative) it is extremely important to be able to put this into effect in the 1982 defense bill. For the last 3 years the number called up has fluctuated between 40,000 and 80,000, or a shortfall of 60 to 20 percent. Five refresher maneuvers after the basic training, one every fourth year, is the ideal. In between the officers and non-commissioned officers do 1 to 2 weeks' extra training 3 to 5 times.

Sir Mohlin says, "I managed to get myself 6 weeks of maneuvers, and that was proved decisive. Half of the soldiers lie in the tents the whole time, with the hygienic and practical problems that entails. But we can assemble at the modern training camp in Grubbn  sudden and the technically high-grade firing area in Lomby with modern target devices, 2 or 3 miles north of   l  n."

If the Swedish armed forces are to be a deterrent to war, the conscripts must get real maneuvers. Ten days in the field are the least that can be required to be able to see how the hardships are endured."

### Morale Decisive

Sir talked with all eight company commanders, most of them reserve officers. They all agreed that the maneuvers were comprehensive, demanding, and realistic. Their soldiers agreed, and said that the morale in the battalion was decisive for the result. The good mood was the result of positive command, which showed up in the group's spirit at all levels. Nobody hesitated to pitch a tent if it worked a hardship on his subordinate.

K  ns Andersson, reserve captain and commander of the baggage company that supplied the 1,500 soldiers with food, fuel, etc. for 3 weeks, says:

"I, myself, work abroad in everyday life, and I did experience the cold as a shock. But since I have met men from Stockholm and from Norrbotten in a wonderful mixture, experienced the comradeship, and seen the shooting scores, I believe we can hold our own in war. Under one important condition: the armed forces must have proper technical equipment in the future; we cannot haggle over the cost any longer."

When Sir was asking the conscripts, both basic trainees and refresher trainees, about the future of the armed forces, tank driver Lars Eriksson, who in everyday life is an electrician with Vattenfall [the state power corporation] in Vuollerim, said:

"We favor an effective training with good weapons. Nobody who has experienced this harsh reality believes that a man alone without modern equipment can survive in the war environment of today. Certainly we will be in on it and decide, but it is still the whole picture and the knowledge that will determine whether we would really put ourselves to the test in the future."

### Warm Troop Carriers

Most of the long movements in the empty districts of Norrbotten were made by ski towing behind tracked vehicles. The 20-year-old vehicles were the Achilles' heel of these maneuvers. They often broke down; broken treads were one cause, but motor trouble also occurred. Now they are being replaced for the next refresher maneuvers with a hypermodern vehicle from Högglund that also allows more to ride inside in warm compartments.

In spite of the cold, the 20 soldiers on refresher training hung on behind the vehicles. There were not many rests, but then the officers checked on whether there were any injuries due to frost. If changes in the skin were detected, the soldier at once got to ride in the warm or was taken to the hospital for treatment.

### Soldier in a Pinch

The battalion also included a company with 12 modern infantry combat vehicles (IKV 91's), which coped with the deep snow well in spite of a weight of 16 tons. The soldiers clung to the outside so as to be able to take part quickly in the close-in defense. The only serious accident that occurred happened when a soldier got in the vehicle in front of the swinging gun barrel and was pinched so badly that he damaged his leg.

The sick lists during the 6 weeks of maneuvers ran 6 to 8 percent, which is lower than at any sheltered Swedish workplace. Personnel services were provided by a chaplain, the doctors, and the personnel assistants. Bengt Sveder, of Boden, the chaplain, held field religious services, and it was an experience to be there when the leadership of the battalion had communion outdoors at -18°C.

### Red-Hot Pipe

In the line of military tents the stove and the pipe, which at the same time holds the tent up, were fiery red. It took a lot of wood to keep 20 soldiers warm. The wood had been stored up in advance at the planned tent sites, and every evening a civilian water truck drove around with fresh water for the whole battalion. Appreciated by the conscripts.

Washing and shaving were managed fairly well; for understandable reasons hot water was scarce when food had to be prepared by the cooks at the same time. They have the hardest time on a maneuver. Up at 0300 hours to prepare breakfast and in bed by 2200 hours at the earliest when the dishes, etc., have been taken care of.

The enemy during the winter maneuvers was played by paratroops from Karlsborg who were on maneuvers in Norrbotten. They dropped down out of the air and were to survive for 2 weeks with minimal equipment and at the same time disturb Mohlin's battalion's maneuvers.

They succeeded well with both assignments. Maps and car keys were stolen from half-asleep retrainees, together with food to survive on. The

boys from the refresher group pursued the fleeing intruders and saw to it that the car keys were returned. The paratroops then went on to spend the night in parachute shelters and looked pleased and happy. As Colonel Wickhom said, "I believe we shall show much more of this to the rest of the world."

### "More Money"

"If I wished for anything as commanding officer of a regiment right now, it would be more money and less complicated regulations about working times. Today we have to notify the active command long in advance; otherwise it costs a lot of extra money for replacements. If an officer of the day gets sick before his duty week, it costs us 3,000 kronor extra to get a replacement! The armed forces need to be able to train realistically. That takes money, but it also requires that officers and men be without too hampering peacetime regulations."

Per Mohlin, recovering his breath after 8 weeks in the military, says:

"I believe we can drive just as hard on refresher maneuvers all over Sweden. The young fellows come up to the mark, and it is a pleasure to be the responsible chief. Now after demobilization, right out in the forest with the mobilization supplies, civilian everyday life is waiting for me. As field commander in the STF [Swedish Tourist Association], to me that means first and foremost planning the rebuilding of the burned out tourist station in Sylarna. To me that fire was the only really unpleasant thing during these uncommonly cold but rewarding military maneuvers."

. . .

Earlier the heads of the different branches of the armed forces gave their view of the future (3 February), and the technical developments within the armed forces were outlined 24, 25, and 26 February.

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